Austria Sch22	Indonesia Rp3100	Portugal Esc160
Bahrain Din0.650	Israel NIS3.50	S.Arabia Rs7.00
Belgium BFr48	Italy L1600	Singapore S$4.10
Canada C$1.00	Japan Y600	Spain Pta125
Cyprus C£0.75	Jordan Fils500	Sri Lanka Rup30
Denmark DKr9.00	Kuwait Fils500	Sweden SKr9.00
Egypt E£2.25	Lebanon $1.25	Switz SFr2.20
Finland Fmk7.00	Lux LFr48	Taiwan NT$65
France FFr6.50	Malaysia Rm4.25	Thailand Bt50
Germany DM2.20	Mexico Pe$300	Tunisia Din0.800
Greece Dr100	Morocco Dh6.00	Turkey L500
Hong Kong HK$12	Neth Fl3.00	UAE Dh6.50
India Rp15	Norway Nkr10.00	USA $1.00

FINANCIAL TIMES

EUROPE'S BUSINESS NEWSPAPER

No. 30,485 Thursday March 10 1988 D 8523 A

Union chief who poses threat to González, Page 2

World News

US to boost high-tech exports to China

The US decided to expand high-technology exports to China following assurances from Peking that it was not supplying Iran with anti-ship missiles such as Silkworms.

Bolivian troops occupy oil installations

Bolivian troops were ordered into oil depots and refineries throughout the country to ensure supplies during a national strike by petroleum workers.

The Government said the strike was illegal and petrol union leaders went into hiding.

Afghan talks 'stalemate'

Pakistan was manoeuvring to force into stalemate the Geneva talks on withdrawal of Soviet troops from Afghanistan, Afghan Foreign Minister Abdul Wakil said. Page 20

Iran accuses Saudis

Iran said Saudi Arabia was preparing to repeat clashes in Mecca between Iranian Haj pilgrims and Saudi security forces which left more than 400 dead last year. Iran welcomes Soviet peace call, Page 3

Soviet hijack toll

A Soviet air stewardess and three passengers were killed during an attempt by "armed criminals" to hijack an Aeroflot airliner on an internal flight, Tass said. Page 2

Insurance AIDS tests

Dutch insurance companies said they planned to demand AIDS tests for people taking out life insurance policies worth more than $100,000 and were considering making the tests compulsory for other policies.

Fresh Gaza violence

Two Palestinian teenagers were killed and several were wounded in clashes with Israelis as the Arab uprising in the Israeli-occupied West Bank and Gaza Strip entered its fourth month.

Mozambique rebel raid

MNR rebels in Mozambique said they killed 30 soldiers and seized large quantities of weapons, including three T-54 tanks, when they captured Pelmeira.

Africans criticise IMF

An international conference on African economic recovery ended in Khartoum with sharp criticism of austerity programmes by the IMF and the World Bank and an appeal for more donor funds to the continent. Page 3

Falklands war of words

A war of words broke out between Buenos Aires and London over British military exercises in the Falkland Islands. Page 5

Bonn taxi protest

West German taxi drivers blocked roads in Bonn and caused miles of traffic jams in protest against plans to stop payments for people who travel to hospitals and health centres by taxi. Page 2

Shultz plan blocked

Israeli Prime Minister Yitzhak Shamir again blocked attempts by other ministers in his coalition Government to force a vote on the Shultz peace plan for the Middle East. Page 3

Sikh chief installed

Militant high priest Jasbir Singh Rode, freed last week by Prime Minister Rajiv Gandhi as a Punjab peace overture, was installed as head of India's 16m Sikhs.

Planets cause panic

Belgrade residents flooded a local observatory with panic calls about "spaceships" – but astronomers said the bright lights in the night sky were the planets Jupiter and Venus in a rare alignment.

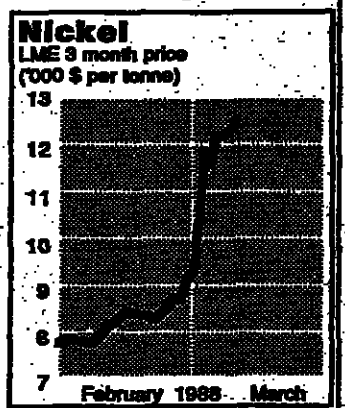
Business Summary

AIBD wins legal exemptions in UK

BRITISH Government has opened the way for the exclusion of the international bond market from important parts of the UK's new securities laws. The move will allow the Association of International Bond Dealers to be excluded from the provisions of a section of the 1986 Financial Services Act. Page 25

IMPERIAL Chemical Industries, the UK-based multinational, and DuPont of the US are linking to launch an assault on the £450m ($800m) a year European market for painting cars. The "business alliance" involves a joint investment of £50m by the two companies and will have its headquarters in Bonn, based on the Inmont factory which ICI bought from BASF in 1986. Page 21

NICKEL failed to maintain the early high prices, when overnight interest and Japanese buying



helped boost the price. The cash metal closed at $12,550 a tonne, up $250 on the day. Page 38

WALL STREET: The Dow Jones industrial average at 2.30 p.m. was down 3.48 at 2,077.59. Page 42

TOKYO: Buying interest centred on steels, shipbuildings and other large-capitals in Tokyo yesterday, driving share prices higher for the first time in three trading days. The Nikkei average ended 139.86 points higher at 25,605.39. Page 42

LONDON: Early gains in blue chip stocks were hit by the pound's renewed advance although the London market found some comfort yesterday in Mrs Thatcher's statement of official sterling policy. The FT-SE 100 index lost 0.5 to 1,815.3 in relatively good turnover. Page 38

DOLLAR closed in London at DM1.6680 (unchanged), Y128.00 (Y128.05), SFr1.3780 (SFr1.3770) and FFr5.65 (unchanged). Page 31

STERLING closed in London at $1.8475 ($1.8425), DM3.0825 (DM3.0725), Y236.50 (Y236.00), SFr2.5475 (SFr2.5375) and FFr10.4275 (FFr10.41). Page 31

TEXAS AIR, the leading US airline holding company headed by Mr Frank Lorenzo, has confirmed it is negotiating to sell up to 20 per cent of the north-east shuttle that it is buying from its Eastern Airlines subsidiary.

BERTELSMANN, the West German publishing, music and printing group, expects net profits for the current financial year to June 30, 1988, to move up to about DM360m ($156m) from DM307m in 1986-87, Mr Mark Wössner, the chairman, said. Page 21

GRUMMAN, the US defence and aerospace group, is to cut about 700 jobs due to lower levels of aircraft engineering and manufacturing work. Page 21

BANK LEUMI announced 1987 net profits of $112m (£60.8m), the largest ever for an Israeli company. The inflation adjusted figure compares with $3m for 1986.

SANYO ELECTRIC, Japanese consumer electronics group, suffered its first consolidated net loss of Y17.53bn (£74.3m) in the year to last November. Page 22

FLETCHER CHALLENGE, New Zealand forestry company and the country's largest company, announced a 94 per cent jump in first-half net profits of NZ$500m (£183.9m). Page 22

Super Tuesday winners at a glance

Republicans		Democrats			
George Bush		**Jesse Jackson**	**Richard Gephardt**	**Michael Dukakis**	**Albert Gore**
Alabama	Mississippi	Alabama	Missouri	Florida	Arkansas
Arkansas	Missouri	Georgia		Hawaii	Kentucky
Florida	North Carolina	Louisiana		Idaho	Nevada
Georgia	Oklahoma	Mississippi		Maryland	North Carolina
Kentucky	Rhode Island	Virginia		Massachusetts	Oklahoma
Louisiana	Tennessee			Rhode Island	Tennessee
Maryland	Texas			Texas	
Massachusetts	Virginia			Washington	
Washington-Pat Robertson					

Democratic nomination race narrows to 3 front-runners

BY STEWART FLEMING AND LIONEL BARBER IN WASHINGTON

THE RACE for the US Democratic Party's Presidential nomination remains wide open after a scrambled Super-Tuesday election contest in 20 states which left three candidates at the front of the pack.

As the campaign moved into the midwestern industrial state of Illinois which holds a primary next Tuesday, Governor Michael Dukakis of Massachusetts, Senator Albert Gore of Tennessee and Rev Jesse Jackson, the black civil rights leader, all claimed victory and said they were now in a three-way race.

On the Republican side, Vice President George Bush crushed his rivals in all but one of the 17 contests held on Tuesday. Senator Robert Dole of Kansas, his chief opponent for the nomination, conceded yesterday that Illinois was a make-or-break state.

Speaking in Chicago, he said: "It will be up to Illinois now to turn it around."

Mr Bush collected more than half of the 1,139 delegates he needs to clinch the nomination, demonstrating overwhelming strength around the country.

Congressman Jack Kemp of New York, whose campaign has sputtered for several weeks, is widely expected to announce his withdrawal today.

His name continues to be mentioned as a possible running mate for Mr Bush.

Mr Pat Robertson, the former television evangelist, vowed yesterday to fight on to the convention. However, he won only the Washington state caucuses and now looks like a fringe candidate.

The Democratic races were once again full of surprises which are likely to continue, perhaps right up to the convention in July in Atlanta.

Rev Jackson recorded an historic breakthrough in the deep South where only 30 years ago in some states he would not have been permitted to vote.

Capturing more than 90 per cent of the black vote, with some white support, he won five states of the old Confederacy including Alabama, the site of some of the most violent racial clashes in the 1960's and the home of the arch segregationist governor and third-party presidential candidate in 1968, Mr George Wallace.

Senator Gore emerged from the shadows as one of the Democratic front runners winning Tennessee, Kentucky, Oklahoma and North Carolina.

He goes into Illinois as the main rival to Governor Dukakis but with question marks over his ability to appeal to voters outside the South.

The main casualty of Super-Tuesday, Congressman Richard Gephardt of Missouri, vowed yesterday to fight back even though he won only his home state. He is desperately short of money and will only be able to continue a guerrilla campaign. "Its a long marathon," he said yesterday.

Commission wins concessions from UK air operators

BY DAVID BUCHAN IN BRUSSELS AND MICHAEL DONNE IN LONDON

THE EUROPEAN Commission has won major concessions from British Airways on its merger with British Caledonian in a move with wide ranging implications for air transport competition policy in the European Community.

They were agreed at a meeting last week between Sir Colin Marshall, BA's chief executive, and Mr Peter Sutherland, the EC Commissioner for competition policy, who announced them in Brussels yesterday.

The agreement is the first of its kind in European civil aviation. It is widely seen in the rest of the UK air transport industry as strengthening the Commission's power over UK and overall European Community civil aviation affairs, over and above the regulatory powers of the both the Civil Aviation Authority and the British Government.

Mr Sutherland described it as "significant in the context of the overall liberalisation of European air transport."

If BA failed to abide by the agreement the Commission "would be free to re-evaluate the whole merger."

BA has undertaken not to try to obtain the licences formerly held by British Caledonian on most of the 11 intra-Community routes on which the two companies were in competition.

In addition, it has agreed from next year to limit the flights of the merged airline from Gatwick Airport, London, to 25 per cent of the airport's total scheduled and non-scheduled flight slots – take-off allocations – compared with 32.2 per cent now.

Assuming no increase in overall Gatwick traffic over the next year, this will mean a loss to BA of some 10,500 slots.

Neither will BA appeal if the Civil Aviation Authority in route hearings this summer gives other airlines any of the original BCal licences from Gatwick to Paris, Brussels and Nice, Manchester, Glasgow and Edinburgh.

Under its earlier deal with the Monopolies and Mergers Commission BA surrendered these licences but has the right to reapply for them in a straight fight with other airlines.

BA must also withdraw its objections to the plan by Air Europe, a leading UK independent airline, to fly between Gatwick and Rome, and cannot seek services on that route until April 1 1991.

BA has undertaken, too, not to transfer BCal services from Gatwick to London Airport Heathrow in such a way as to hurt consumers and competitors there.

Where any services are transferred – such as Tokyo and the Middle East – BA will be required to "maintain a balance between the two airports."

BA is allowed to seek a relaxation of the rules "in the light of unforeseen circumstances", with the Commission agreeing to "act expeditiously."

The undertakings will apply for four years.

The Commission said that was "sufficiently long to allow competitors to become established and thus to compete effectively in the market place."

BA is to report every six months to the Commission.

With the agreement the Commission is clearly laying down a marker that it intends to try to maintain wide access by carriers to routes and flight slots as the deregulation it is seeking in air transport proceeds.

Strasbourg blocks Israel trade deal

BY DAVID BUCHAN IN STRASBOURG

THE EUROPEAN Parliament yesterday gave Israel a sharp political slap by refusing, with a large majority, to agree to newly negotiated trade and financial protocols between the Community and Israel.

The move, clearly provoked by widespread anger at the recent behaviour of Israeli security forces in the West Bank and Gaza, could be the start of European trade sanctions on Israel.

It was the first time the Parliament had used its new power to vet trade agreements in this way, and Strasbourg officials believed that the Council – member governments – might either shelve the accords or seek renegotiation with Israel.

By 149 to 207 votes, with 20 abstentions, the Parliament refused to confirm a protocol expanding duty free access to the EC for Israeli products, notably cut flowers and orange juice. By one parliamentary estimate, this protocol was potentially worth some Ecu40m-50m ($48m-$61m) a year to Israel.

By 143 to 205 votes, Parliament voted down a financial protocol that would have given Israel some Ecu63m in preferential loans up to 1991.

Only a protocol enlarging the existing EC-Israel trade agreements to take account of Spanish and Portuguese entry into the EC won a plurality of votes in favour. But this was still five votes short of the required 260 vote majority.

The vote on the Israeli agreements created splits in virtually every grouping of the Parliament. But in the "no" lobby were mainly to be found an odd mix of Communists, Greens, British Conservatives, and a large number of socialists, with the exception of the French, whose vote may have been influenced by impending elections at home.

Mrs Simone Veil, leader of the Liberal group and the best-known Jewish Euro MP, said that, while there was wide concern about events in the occupied territories, commercial agreements were not the proper means through which to express it.

● Andrew Whitley in Jerusalem adds: The European Parliament's rejection of the protocol will have greater political than economic consequences for bilateral relations in the short term. But the economic fall out will not be insignificant, particularly for

Continued on Page 20

$1bn Swedish Match bid

BY SARA WEBB IN STOCKHOLM

STORA of Sweden, Europe's biggest pulp and paper concern, yesterday offered SKr5.9bn ($1bn) for Swedish Match, the world's leading match manufacturer, in the largest takeover bid Sweden has seen.

The deal would help Stora shift away from its dependency on pulp, which is prone to price volatility, and to expand into the consumer products and packaging sectors, while further developing co-operation with Swedish Match in chemicals.

Stora is offering SKr150 for Swedish Match A class shares, which closed at SKr130 before trading was suspended, and SKr137 for the B class shares, which closed at SKr107.

The acquisition will create a group with turnover of about SKr40bn this year, according to Mr Bo Berggren, Stora's chief executive.

Swedish Match, which dominated the world match industry in the 1920s when it was built up by Sweden's legendary "match king," Ivar Kreuger, today controls 25 per cent of the world match market.

The conglomerate, which had sales of SKr15.88bn, and profits

Continued on Page 20; Lex, Page 20; Stora eyes a bargain, Page 23

Sterling's rise provokes angry response from British industry

BY SIMON HOLBERTON IN LONDON

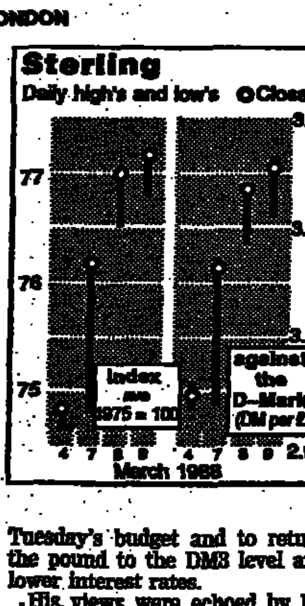
STERLING yesterday continued to rise on the foreign exchanges as the major representatives of British industry strongly criticised the Government's decision to allow the pound to rise above its unofficial ceiling of DM3.

Sir David Nickson, chairman of the Confederation of British Industry, said that the strengthening of the pound against the D-Mark and other currencies presented a serious threat to British industry and added to uncertainty.

The pound, which earlier in the day had opened below Tuesday's closing levels, rebounded during moderately heavy trading to close 1 pfennig higher at DM3.0825 and half a cent firmer at $1.8475. The Bank of England's trade-weighted sterling index closed 0.2 points stronger at 77.2.

Dealers said they thought the pound still had some way to rise and that they were looking for levels around DM3.10 in the absence of any Bank intervention to halt the currency's advance.

Sir David called on Mr Nigel Lawson, the Chancellor of the Exchequer, to tackle the problems of inflation through next



Tuesday's budget and to return the pound to the DM3 level and lower interest rates.

His views were echoed by Mr Ron Taylor, director general of the Association of British Chambers of Commerce, who called on the Government, "to put sterling back on the rails".

The Treasury, however, noted that sterling had appreciated by about 2 per cent to 3 per cent since the beginning of the week while average earnings were rising by 8½ per cent a year. Industry had the power to control a good part of its costs itself, a spokesman said.

He reiterated the Government's concern over inflation, its desire to see stable exchange rates, and its policy of not allowing the pound to depreciate to accommodate industry's loss of competitiveness due to large pay settlements.

Sir David said the Government's decision to allow the pound to appreciate was bound to make British industry less competitive both abroad and at home.

"The Government's willingness to hold sterling down has been a major factor in our recent economic resurgence," he said.

He said CBI members had stressed repeatedly to the Government that exchange rate stability within a competitive band of currencies in Europe was vital. He noted that 80 per cent of Britain's exports were to Europe.

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CONTENTS

CHINA TELLS TIBET TO RALLY ROUND THE FLAG

The Dalai Lama, whose wide influence makes life difficult for Peking, Page 20

Red tape tangles Soviet co-ops

By Christopher Bobinski in Moscow

WIDESPREAD bureaucratic resistance to the growth of small private businesses and co-operative companies is reflected in the results of a public opinion poll conducted recently in several major Soviet cities, Literaturnaya Gazeta, the Soviet weekly, has reported.

The findings come after the publication of a draft law on co-operatives which seeks to regulate this sector while establishing its independence from state interference.

The poll is also revealing about Soviet attitudes to prices of consumer goods. These have been stable for many years but Mr Mikhail Gorbachev, the Soviet leader, has said he will reform them by 1990, in what will be a big test of popular support for his economic policies.

The change in policy on co-operatives comes after years of Soviet assertions that only state-owned enterprises were truly socialist and any other form of economic endeavour was merely a transitory phenomenon.

The paper also says that co-operatives will be loath to develop and invest while there is no law guaranteeing their property rights and suggests, no doubt to the horror of Soviet traditionalists, that such a law is needed.

Half of those engaged in the new companies, 9,000 of which have been established, complain of bureaucratic hindrance and the paper says that, while it can take months to go through all the necessary steps to start a business, closing them can be a matter of minutes.

One third of those polled said they were against this new sector, one third were for and the rest indifferent. Half of those who came out against co-operatives admitted to never having come across one nor having sampled any non-state produced goods or services.

Sixty-eight per cent of ordinary people asked about the prices that co-operatives charged said they were either expensive or too expensive. A mere 19 per cent found them "acceptable". The figures reveal significant potential resistance to the price liberalisation which Soviet economists are urging as fundamental to the country's economic success.

Predictably, 53 per cent of the officials thought they should be fixing the prices charged by the co-operatives and 19 per cent more thought they should fix some of them. The draft law says co-operatives should be free to determine their own prices.

Co-operative prices are usually two to three times higher than state-controlled prices and earnings in the sector are arousing resentment on the shop floor. Last week Mr Gorbachev promised factory workers in Moscow that the co-operatives would be taxed more.

Passengers die as Soviet hijack foiled

A SOVIET air stewardess and three passengers were killed during an attempt by "armed criminals" to hijack an Aeroflot airliner on an internal flight on Tuesday, Reuter reports from Moscow.

The official Soviet news agency Tass said yesterday that most of the hijackers were killed in the attempt and the rest had been captured. It did not say how many there were.

"As a result of this terrorist act, a stewardess and three passengers were also killed. Other people were injured," Tass said.

The attempt took place during a flight by a TU-154 airliner, which carries about 130 passengers, on the Irkutsk-Kurgan-Leningrad route. Tass said the hijackers "aimed to escape abroad."

Golden jails scandal fails to stir Italian sense of moral outrage

BY JOHN WYLES IN ROME

European Diary

Italy

THERE IS invariably a mixture of high farce and low dealing in the manner in which the Italian public learns details of political scandals.

The "secret" results of magistrates' investigations inexplicably find their way into newspapers, key witnesses disappear, famous names are tried in the press and then after an orgy of tasty exposures the entire affair disappears into the timeless processes of the Italian judicial system.

This can take between five and 10 years to bring the guilty to justice or to uphold claims of innocence which the "jury" of newspapers have long before treated with total disdain.

So it is that the star names in Italy's latest scandal, the so-called "Golden Prisons affair", have already been branded "thieves" by the headline writers.

This conviction by newspaper has swiftly forced Mr Franco Nicolazzi to resign as leader of the tiny Social Democratic Party. He and two other senior politicians, Mr Vittorino Colombo and Mr Clerio Darida, both Christian Democrats, are about to be examined by a parliamentary committee, the *Commissione Inquirente*.

It is claimed that over the last eight years while they were respectively Ministers of Public Works, of Transport and of Justice, they took bribes from companies involved in public construction, mostly prisons. In some cases the final contract costs exceeded original estimates by more than 20 times.

This again raises the question of why corruption is such a permanent feature of Italian public life. It seems to have long been accepted as such by the Italian public and recent attempts by concerned politicians and journalists to debate the "moral question" have found little public sympathy.

A columnist in *La Stampa* lamented last weekend the lack of outrage about the golden prisons affair and suggested this was because Italians had come to learn that the bribe was an essential lubricant for their "desperate attempts to achieve services from public administration, such as pension payments, to which they are honourably entitled".

In Italy the concept of politics as the supply of favours requiring a quid pro quo is centuries old. Modern political parties seem to have adapted this as a means of consolidating and extending their power.

Italian politics is extremely expensive. At national, regional, town and village level it requires an endless series of lavishly staged conferences, rallies, and publications.

Moreover, personal standing within the party is determined by the system of preference votes at elections whereby voters opt not just for a party but also show a preference between candidates of the same party. Politicians do not buy votes directly. But their ability to provide local jobs and contracts on public works is crucial.

As a result, most surveys of political corruption conclude that more illicit funds are earmarked for party than personal use. This is one reason why no laws have been passed requiring parties to publish transparent accounts. In 1986 they received L85,341bn from the state, but spent a great deal more, though how much and on what is not known.

In the corruption stakes it has long been held that the Christian Democrats, the Socialists and the Social Democrats are the most dubious, although the Communists are also not without blemish through their involvement in many local administrations. Confronted by one outstanding speech urging the need to clean up his party, Mr Bettino Craxi, the Socialist leader, told the Socialist congress last year that since 1984 55 Communists and 45 Christian Democrats had been found guilty in scandal cases compared to 32 Socialists.

Mr Ciriaco De Mita, the Christian Democrat leader, is generally credited with having made some effort to clean out the smelliest stables, particularly in Sicily, but there is clearly still much more that could be done. There are many who believe that the problem cannot be tackled until there is an end to Italy's "blocked democracy", that is the permanent occupation of power by the same parties to the exclusion of the Communists. An alternative system might offer voters the chance to reject political parties guilty of corruption.

This in turn might generate some respect for the State among Italians. It could also help foster a public service ethic and an efficient crackdown on tax evasion. Many Italians regard cheating the State almost as a moral duty, believing that they can put their money to better use than can corrupt, power-seeking politicians.

States to spell out objections to telecom liberalisation plans

BY DAVID BUCHAN IN BRUSSELS AND DAVID THOMAS IN LONDON

THE EC Commission today faces a showdown with several member states over the legal basis on which it plans to order a liberalisation of telecommunications terminal equipment and services.

The wrangle, which affects the balance of power between the Commission and member states, could hold up the Commission's plan to give telecommunications users a free choice in terminal equipment, the first step in its programme of liberalising the European telecommunications market by 1992.

At a meeting of senior national telecommunications officials, representatives from the UK, France and West Germany are expected to spell out their objections to the means by which the Commission aims to achieve a freer market.

They are also likely to complain that the Commission is proposing a too ambitious timetable for member states to establish procedures for liberalising the equipment market.

The Commission has said it intends to issue a directive on equipment this month, exploiting a rarely-used power under Article 90 of the Treaty of Rome.

This allows the Commission to issue directives, without the usual approval of member states, to control the behaviour of enterprises to which national governments give "special or exclusive rights."

Mr Peter Sutherland, the competition commissioner, has said the planned directive will force member states to abolish the exclusive rights over equipment which many governments have given their national telecommunications administrations.

Several governments, however, have complained that the Commission should use Article 90, like its other competition powers, to act against specific abuses, and not to dictate an end to all state monopolies in telecommunications equipment.

Mr Karl-Heinz Narjes, the EC industry commissioner, recently said the Commission was "on legally safe terrain" in using its Article 90 powers.

If member states took the Commission to court over its proposals, as happened once before, it could delay the Commission's telecommunications liberalisation timetable as much as if it were to seek member states' approval for a harmonisation directive by the more normal route.

French trade plunges into deficit

BY GEORGE GRAHAM IN PARIS

FRANCE'S trade account swung sharply into deficit last year as declining earnings from tourism and services failed to offset the decline in visible trade.

The balance of payments current account plunged to a deficit of FFr 27.2bn in 1987 from a surplus of FFr 20.2bn the previous year, the finance ministry announced yesterday.

But the ministry also announced better than expected visible trade results for January. This encouraged financial markets which had feared the worst after a delay in the announcement, caused by a change in accounting dates.

January's visible trade account showed a deficit of FFr 600m after seasonal adjustment, or a surplus of FFr 100m if the last four days of December, which had been carried over following the date change, are included.

Exports in January totalled FFr 77.7bn, down 4.6 per cent from the previous month, while imports fell by 4.3 per cent to FFr 78.3bn. Trade in food and farm products recorded a surplus of FFr 3.5bn, while the deficit in industrial goods was FFr 1.4bn.

The collapse of France's current account, however, has worried economists. The visible trade balance was already known to have sunk to a deficit of FFr 31.4bn in 1987, but the decline in earnings from tourism and technology transfer – the two main sources of the French surplus in services – has caused further concern.

The current account reached a record deficit of FFr 79.3bn in 1982, but had steadily improved since then, recording a deficit of only FFr 3.1bn in 1985 and returning to surplus in 1986 for the first time since 1979.

Tourism showed a net surplus of only FFr 18bn to FFr 19bn last year, down from FFr 22.2bn in 1986 and FFr 30.4bn in 1985. Mr Jean-Jacques Descamps, Minister for Tourism, has launched a campaign aimed at persuading the French to be more friendly to foreigners and to try to win back their former position as the world's leading destination for tourists.

The decline of the dollar has been partly responsible for the fall in French earnings from services, since the US is at the same time a major customer and a competitor.

W German taxis come to halt over threat to health subsidy

BY DAVID MARSH IN BONN

WEST German taxi-drivers yesterday did what cabbies the world over tend to do when their customers refuse to pay the fare. In a united show of anger at the Government's plan to stop payments for people who travel to hospitals and doctors in taxis, they climbed out of their cars and protested – helping to provoke miles of traffic jams in Bonn.

Yesterday's action by about 2,000 cab-drivers, converging on Bonn from all over the Federal Republic, was the latest in a series of protests against the Government's plans to trim spending on the country's overburdened health insurance system.

As the air thickened, metaphorically at least, to the echo of thousands of irately slammed doors, several thousand cab-drivers, wives, children and perhaps passengers caught up in the confusion, crammed into the sedate surroundings of the Bad Godesberg meeting hall for a rally against the proposals.

The Government wants to end the time-honoured system next year under which health insurance agencies pay a large slice of the fares for people travelling to and from doctors, hospitals and clinics in connection with their illnesses.

The taxi-drivers say the plan would discriminate against the old and infirm and would push up costs by forcing more expensive ambulances to be used in place of hired cars. And, of course, it would also eat deeply into the incomes of West Germany's roughly 33,000 mainly family-owned taxi businesses.

Many of them – especially in rural areas – rely for much of their business on ferrying around the aged and sick who make up an ever-larger proportion of the population.

Mr Heinz Altenkirch, a burly taxi-owner from Kaiserslautern in the Rhineland Palatinate, says transporting sick people makes up about 40 per cent of his business. If the Government sticks to its cuts plan, "we will take more drastic measures - we will go to the barricades," he says.

Mr Ulrich Schroeder, a taxi-driver from Dortmund, said the proposals would lose cabbies in his city about DM3m ($1.8m) in income.

Mr Norbert Bluem, the Labour and Social Affairs Minister, has put forward the plan as part of measures outlined in December to make DM14bn in savings in health spending.

The proposals have attracted a barrage of criticism from drugs companies, chemists shops' associations and doctors, as well as from taxi drivers.

Mr Bluem, already under attack from steel-workers in North Rhine Westphalia over job cuts, was in the firing line in Bad Godesberg yesterday.

With the taste for dramatic couplets often found at West German protest rallies, taxi-men and women held up posters claiming "Bluem is killing off the taxis; then the sick will suffer." (In German, this rhymes).

OBITUARY

Common-sense Chancellor who kept West Germany on course

Kurt Kiesinger: his greatest achievement was negative

KURT Georg Kiesinger, West Germany's Christian Democrat Chancellor between 1966 and 1969, who died yesterday at the age of 83, was a man who did his often inglorious best to steer the Federal Republic through the unsteady end of the 1960s.

As the head of the three-year Grand Coalition of the CDU and the Social Democratic Party (SPD), Kiesinger was an adroit conciliator who never quite succeeded in stamping his mark on West German politics. A member of the Bundestag between West Germany's foundation in 1949 and 1980, he died of heart failure in a university clinic near his home in Tuebingen in the southern state of Baden-Wuerttemberg.

An elegant silvery-haired speaker, he was the third Chancellor after Konrad Adenauer and Ludwig Erhard. He will not go down in history like the first two but his services, in a curiously unwitting way, in preparing the country for a more mature future were only of little less value.

His was a mind tuned towards the need for compromise rather than the opportunity for decisive action; and his government formed an interlude between 20 years of unbroken reign by the CDU and the SPD-dominated coalition which ran the country during the 1970s.

He presided over the country when it had regained economic prosperity after the years of the post-war "economic miracle" but was still feeling its way gingerly through a highly delicate political environment both at home and abroad.

He aptly personified West Germany's historical and geographical predicament. A lawyer by training, he was a member of the Nazi party between 1933 and 1945. Although he appeared to play no active role in the movement, this was a past he had often later to defend. The question of recognising East Germany caught Kiesinger and the CDU in a dilemma, but he was the first Chancellor to read (rather than send back unopened) letters from the East Berlin leadership.

Kiesinger's greatest achievement was a negative one. When radicalism was in the air, his common-sense coalition muddled through. He prevented West Germany from lurching off course at a time when the international waters were muddied by the Soviet invasion of Czechoslovakia, currency unrest, and de Gaulle's unremitting opposition to British membership of the EC, and when the domestic scene was disturbed, in 1966-67, by West Germany's first post-war recession.

Never an enthusiast for the arduous task of running an often fractious coalition, Kiesinger, with Willy Brandt as Foreign Minister, helped lay the foundations for Brandt's policies as Chancellor in the early 1970s of normalising relations with eastern Europe. These moves were bitterly criticised at the time by the CDU – but form the groundwork of Chancellor Helmut Kohl's present Ostpolitik.

The years of the Grand Coalition are often stigmatised as a rudderless era. The alliance of the two main West German parties unleashed political passions outside parliament, notably through an upsurge in activity by extreme Left and Right wing groups.

None the less, the coalition, boasting as Finance Minister Franz Josef Strauss and as Economy Minister Karl Schiller, quickly overcame the recession as a result of Schiller's demand management – the only one really successful example of fine tuning of the West German economy. The coalition also managed to push through, amid a background of student unrest and worries about a resurgence of neo-Nazism, controversial legislation expanding the government's law and order powers.

Kiesinger ran a lackless campaign for the autumn 1969 general election. The CDU won 46.1 per cent of the votes but Kiesinger was deposed by a coalition of the SPD and the Free Democratic Party, and within a few years was in the political wilderness – ousted, but, as the flow of tributes from left and right showed yesterday, not totally unloved.

David Marsh

Amex chief hits at electronic payments deal

By David Barchard in Nice

AN executive of American Express yesterday denounced plans to set up a European electronic payments system which excludes banks from outside Europe and other financial institutions.

Mr James Larkin, executive vice-president, told the European Financial Marketing Association (EFMA) that an accord in Florence last October by the European Council for Payments Systems (ECPS) was a "blatant attack on retailers" and "a contradiction of the European Commission's code of conduct on payment systems".

In a thinly veiled reference to large West German banks, believed to have been the moving forces behind the Florence Accord, Mr Larkin said a "small controlling faction" intended to exclude leading charge cards such as American Express and Diners Club from the European system.

West German banks have traditionally been opposed to charge and credit cards.

Gibraltar to hold public inquest into IRA deaths

BY JOE GARCIA IN GIBRALTAR AND PETER BRUCE IN MADRID

MR FELIX PIZARELLO, the Gibraltar coroner, said yesterday that he intended to hold a public inquest into the deaths of the three IRA activists shot dead last Sunday by British security forces.

The coroner's inquest is likely to be the only investigation into the shooting of the IRA activists, two men and a woman, in a busy avenue leading to the Spanish border. Eye-witnesses would also be required to give evidence on oath and representativers of the security forces would also be asked to give evidence.

Meanwhile, the Spanish Interior Ministry said yesterday that Spanish and British police had tracked the three IRA activists for more than five months.

A Ministry statement said European anti-terrorist specialists detected a person "of Irish origin" in Spain in November and that a routine police surveillance effort was immediately put into place.

Enquiries to the British authorities linked the person to the IRA. The Ministry said all Spanish frontier crossings and airports were alerted and on November 15 two men, Daniel McCann, using the name Reilly, and Sean Savage, calling himself Cohen, flew from Madrid airport after travelling to the Spanish capital from Malaga on the south coast.

A woman, Mary Parkin, was also traced to Malaga. The Spanish authorities, in an effort to find out why the IRA were in the country and assuming they were planning to attack British targets, investigated some 89,000 people of British origin who live here.

In February this year, the police said, they noticed that Mary Parkin began travelling to Gibraltar every Tuesday. Spain, according to the statement, kept the British side fully informed and it was London that first suggested the IRA might be planning to bomb the regular changing of the guard outside the colonial Governor's residence which normally takes place on a Tuesday.

New leader for Social Democrats

By John Wyles in Rome

ITALY'S deeply divided and scandal-prone Social Democrats last night elected Mr Antonio Cariglia as leader following the resignation amid bribery allegations of Mr Franco Nicolazzi.

While the party's central committee was struggling through a tormented election session, a special parliamentary committee issued an official warning to Mr Nicolazzi and two other former ministers that there are prima facie allegations of corruption for them to answer.

This follows an examination of magistrates' reports based on a confession by a Milanese building contractor that he had paid L10bn (£4.4m) in bribes in order to secure public construction contracts, mainly for prisons.

Mr Nicolazzi, Minister for Public Works between 1979 and 1987, is the third consecutive Social Democratic secretary to be forced to resign under suspicion of wrongdoing. His predecessor but one, Mr Mario Tanassi, was jailed for accepting payments from the Lockheed Aircraft Corporation.

Mr Cariglia, a 64-year-old senator from Pistoia near Florence, faces a seemingly impossible task in trying to revive the party's fortunes. Formed in 1947 as a breakaway from the then Marxist Socialist Party, the Social Democrats have seemed an increasingly irrelevant satellite of Mr Bettino Craxi's centrist modern-day Socialists. Their share of the vote dropped to 3 per cent in last year's elections since when the party has been riven by faction fighting focused on political spoils and personality clashes.

Peter Bruce describes the views of a tough old Basque trade unionist strongly opposed to government economic policies

Spanish premier's wage guidelines breed deep disillusionment

NICOLAS REDONDO is a gentleman and he may soon have to stop being one. In 1974 when the then outlawed Spanish Socialist Worker's Party (PSOE) was electing a new leadership-in-exile near Paris, Mr Redondo turned down the nomination as leader and suggested the party elect a smart young lawyer, Mr Felipe Gonzalez, instead.

Mr Redondo, a tough old Basque trade unionist, had been defended a number of times in General Franco's courts by the future Prime Minister. It was a watershed decision that passed leadership of the party to a much younger generation.

Now Mr Gonzalez and Mr Redondo are seriously estranged. A fight over economic policy led Mr Redondo, last October, to resign his PSOE seat in Madrid's parliament. Mr Gonzalez, in Mr Redondo's view, has betrayed his socialist ideals by becoming converted to orthodox economic policies more reminiscent of Britain than the socialist state they dreamt of during the dictatorship.

His departure has probably been the biggest scare the socialists have had since they came to power in 1982 because he is leader of the country's biggest trade union, the UGT, which has been allied with the party for 100 years.

"Its not a personal problem," he says, "absolutely not. I have spoken to Felipe Gonzalez a lot. Some people say I spend more time with Felipe than I do with my wife."

Personal or otherwise, Mr Redondo's break with the government and his subsequent agreement with the traditional socialist enemy, the communist trade union, the Worker's Commissions (CO), to fight this year's wage claims together seem tantalisingly pointed.

For a nation mesmerised by Mr Gonzalez' relentless domination of its politics, Mr Redondo has indeed become Spain's *only* real opposition.

Nicholas Redondo: turned down chance to be leader

At 61 he does not look the part. If central casting were looking for a kindly, rosy-cheeked woodsman to rescue damsels in threatening forests he would be perfect. Short and broad, he wears open-necked shirts and a cuddly leather bomber-jacket like a uniform.

Neither, he says, does he want the part. "Its not our fault that there's no (effective parliamentary) opposition. I don't want (the role). It's unfortunate that it seems that the opposition in Spain is the trade union movement – and mainly the UGT – but I want to limit my differences with the government to union matters."

Things have probably gone too far for that now. In a pointed attempt to isolate the UGT, Mr Gonzalez has refused to discuss modifying the Government's wage guidelines. "I have sent three letters to Felipe," complains Mr Redondo. "One in December. Another in January and another in February after the (historic) meeting between the UGT and the CO. We are still waiting for an answer."

Although Mr Redondo has a significant following in the PSOE, the fact is that Mr Gonzales is not easily pushed around in Spain and it is quite likely that he will try to undermine Mr Redondo's position in the UGT. Already the UGT chemical workers union has voiced doubts about the agreement with the Communists and there is a mighty battle being fought in the UGT steel union where radicals are trying to unseat a general secretary sympathetic to the Prime Minister.

Fortunately for Mr Redondo's credibility, though, he did get an answer to a letter he sent to the employers' organisation, the Confederacion Espanola de Organizaciones Empresariales (CEOE), and the UGT and CEOE officials met yesterday to try to establish a framework for wage talks and other contacts.

Behind the diplomatic smiles, though, the UGT leader will be impatient to get down, somehow, to money and to try to get the private sector to break out of the 4 per cent public sector wage guideline set by the Government and which ultimately led to his departure from parliament.

The Government came up with the 4 per cent after setting its inflation target for the year at 3 per cent and the unions argue that it is simply not enough and that the target is too optimistic. January figures show they may be right. Mr Redondo is pushing for around 6 per cent, which the unions say is only 2 percentage points above a more realistic inflation target.

Prospects for wage talks with the private sector, were they ever to take place, are hard to forecast, though the Government is almost certain to face scattered strikes in state-owned industries this spring if it does not budge from its 4 per cent.

"We will see what we will do," says Mr Redondo. "The only left wing alternative for government (has been) the socialists. Despite the differences between the government and the UGT, and the party to a certain extent, the party is not worried that we won't support them in the next election."

But Mr Gonzalez, the born-again fiscal conservative, must be terribly hard to live with, let alone support. Spanish corporate profitability is very high and unemployment is touching a record 3m. Government job creation has broadly centred on making it easier to sack people and a grandiose UGT scheme to create 500,000 jobs a year for the next five years is destined, inevitably, for the prime ministerial waste basket.

"The government says, 'What do you prefer? 400,000 indefinite (job) contracts or 800,000 temporary ones?' It's not the right distinction," says Mr Redondo. "In December 1986 Felipe Gonzalez, Maria Cuevas (CEOE president) and myself had an agreement that of every 100 people unemployed, 48 would be subsidised by the state. Now, 14 months later we are in February 1988 and of every 100 jobless only 27 are getting social security.

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Shamir blocks vote on Shultz peace proposals

BY ANDREW WHITLEY IN JERUSALEM

FOR THE second time in four days, Mr Yitzhak Shamir, the Israeli Prime Minister, yesterday blocked attempts by other ministers in his coalition government, including members of his right-wing Likud party, to force a vote on the Shultz peace plan for the Middle East.

A close aide said after the meeting of the policy-making inner Cabinet that Mr Shamir would attempt to persuade the Reagan Administration to drop its "dangerous" plan entirely when he visits Washington next week.

In a fiery speech to a Likud caucus, the Prime Minister had earlier said: "We must not surrender to pressures. We must not give in. We must try and change the situation, to change opinions, to halt the deterioration in relations between Israel and the US."

According to the army radio, the right-wing leader told his followers they had to go into battle against the US plan, "so that no one can say we stood on the sidelines".

Nora Boustany, the correspondent of the Washington Post and Financial Times in Beirut, has been awarded the George Polk Award for Foreign Reporting for 1987.

Mr Shamir has drawn comfort from what he feels is a swing in US public opinion back towards Israel; though his optimism would not appear to be endorsed by a second Congressional letter of criticism of his political stance, drafted by a group of Jewish members of the House of Representatives. An earlier letter last week by 30 senators urging him to adopt the "peace for territory" formula caused shock waves in Israel.

The Prime Minister told the inner Cabinet that the two leading parties would have to meet after his return from the US on March 25 to agree a date for early elections, although he still has nearly eight more months of his fixed two-year term to serve.

Malaysian opposition MP freed

By Wong Sulong in Kuala Lumpur

THE Malaysian Government yesterday suffered a rebuff from the country's fiercely independent judiciary when a court granted a writ of habeas corpus to Mr Karpal Singh, a prominent opposition member of parliament, who has been held for four and a half months under the Internal Security Act.

Justice Peh Swee Chin of the Ipoh High Court, 150 miles north of Kuala Lumpur, ruled that the detention order signed by Dr Mahathir Mohamad, the Prime Minister, in his capacity as Home Affairs Minister, was flawed as it was based on inaccurate facts.

The judge said the Government had made six changes against Mr Karpal, alleging he fomented racial ill-feelings. One charge claimed that on October 10 last year he had spoken at a public rally in Penang, inciting Chinese hatred against the Government over the appointment of non-Mandarin speaking headmasters to Chinese schools. In fact, Mr Karpal was not at the function and the judge said the charge was obviously made without care.

Iran welcomes Soviet call for UN Gulf peace move

BY OUR MIDDLE EAST STAFF

IRAN yesterday welcomed the Soviet Union's call for a UN Security Council meeting to bring about a cessation of missile and aircraft attacks on civilian population centres as Iraq once again attacked shipping in the Gulf after a three-week interval.

The Felicity, a 101,997-tonne Cyprus-registered tanker, was reported to have been hit while carrying a cargo of Iranian oil down the Gulf for onward transshipment but not badly damaged.

The main preoccupation, meanwhile, continued to be the Soviet diplomatic move to end the "war of the cities" after nearly a fortnight of exchanges.

"The Soviet proposal is positive, and if the Security Council does not take a decision it would show their ill-intention towards us," Mr Mir-Hossein Mousavi, Iran's Prime Minister, said yesterday on Tehran Radio adding that Tehran was still awaiting details of it. Moscow has proposed the appointment by Mr Javier Perez de Cuellar, UN Secretary-General, of a special representative to maintain "firm and constant contact" between Iran, Iraq and the UN.

The tone of Mr Mousavi's language contrasted with the increasingly bitter criticism of the Soviet Union for supplying Iraq with missiles capable of reaching Tehran and other cities in central Iran.

Kevin Brown adds: Insurance rates for Gulf cargoes were cut yesterday by the London war risks rating committee, reflecting a fall in attacks on merchant ships since rates were increased in December.

Chinese minister to visit London

WU XUEQIAN, China's Foreign Minister, arrives in London today for a six-day visit during which he will hold talks with Mrs Margaret Thatcher and Sir Geoffrey Howe, the British Foreign Secretary, Colina MacDougall reports.

While the Foreign Office is reluctant to disclose the agenda, the questions of the Iran-Iraq war, Chinese weapons shipments to the Gulf, the future of Hong Kong and the growing demand for more freedom in Tibet seem likely to figure. The broader issues of relations with the US and the Soviet Union may also be included.

Wu told President Reagan on Tuesday during a visit to the US that Peking would support a proposed UN arms embargo if the overwhelming majority of the Security Council wanted it.

Nicholas Woodsworth writes of speculation in Abidjan on the President's successor

Ivory Coast's chief keeps his people guessing

AT THE beginning of March, President Felix Houphouët-Boigny of the Ivory Coast publicly received 25 visiting French choir boys. He announced over national radio that he was going to offer the largest basilica in the world — a building presently under construction — as a present to Pope John Paul II. It was, the 86-year-old Catholic statesman said, the realisation of a life-long dream.

Somewhat confusingly, halfway through the prepared question and answer session with his visitors, the President drifted into a long monologue about the Akan tribal practices he had been brought up with before his conversion to Catholicism.

"I was the chief of my region," he told the choir boys. "All of we Akan people are animists with a different conception of what comes after death. For the animists, the after-life is the transposition of this life to the next world. So if you die a servant you will forever remain a servant, and if you die a chief, you will remain a chief."

If the choir boys experienced some theological confusion during the President's speculations about life after death, the entire nation is no less confused these days by political speculations about life after Houphouët.

In recent months the Abidjan grapevine known as "radio trottoir"(sidewalk radio) has been buzzing with rumours of attempted coups, assassinations, arms shipments, and interior power struggles in preparation for the inevitable day when a new leader will succeed the President.

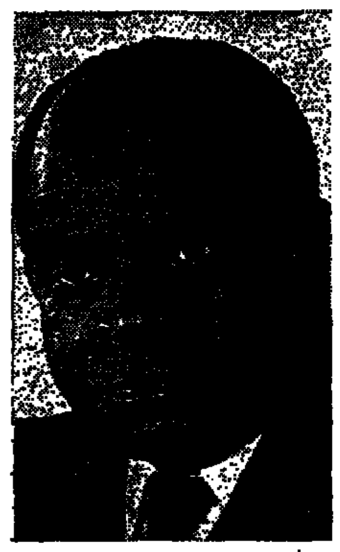
Mr Houphouët-Boigny himself has done nothing to dispel the rumours. His preoccupations with churches, eternity and, on a more worldly level, public image and the role history will eventually assign him, seem to indicate that the daily running of Government now takes second place.

He is absent from the public eye for extended periods and reportedly no longer reads, but prefers to accept the words and advice of a small clique of advisors. He adamantly refuses to discuss the question of presidential succession.

Since independence from France in 1960, the Ivory Coast has been a single-party state, ruled by the firm and sometimes heavy hand of the President.

One of the few remaining African leaders to have emerged from the colonial era, Mr Houphouët-Boigny is fond of being represented to the world at large as "Papa Houphouet," a wise and democratic humanist, a concerned benefactor to his people, and the political sage who knew how to engineer Black Africa's "economic miracle." He is also known to covet the Nobel Peace Prize.

However, behind unending exhortations to support "dialogue" — the key word in the Ivorian political lexicon — and acclamation of the universal benefits of "single-party democracy," the Democratic Party of the Ivory Coast (PDCI) has for 28 years remained intolerant of opposition.



President Houphouët-Boigny: a chief not a servant

Political protest, on the few occasions it has dared to emerge, has been promptly, if discreetly, suppressed by arrest and detention.

"In the Ivory Coast," the President once said in a remarkable example of doublethink, "political offences do not exist. So we do not have political prisoners."

With the end of the Houphouët era around the corner and questions of the succession ever more crucial to contending factions within Government, a case of political nerves has now set in.

Uncertainty and over-reaction to events has provoked hasty decisions, and growing friction within the PDCI has led to disputes untypically spilling out into public.

Observers see only the tip of political icebergs in the Ivory Coast, but it now seems evident that tensions within Government began to grow last summer when state pressure on one of the few independent unions in the country led to the dismissal of its executive council.

High-level disagreements as to how to handle the affair allowed it to drag on for months and, although council members were finally jailed and then sent to detention camps, the state prosecutor in the case was dismissed.

In mid-November, the Minister of Rural Development was sacked without explanation. Then a month later, Mr Lamine Fadika, Minister of Maritime Affairs, was also dismissed. Again no explanation was given, but rumour was rife in Abidjan that Mr. Fadika had been involved in a coup attempt.

The flames were only fanned, a short time later, when one of Mr Fadika's subordinates, the representative of the Ivorian state shipping company in Hamburg, was assassinated. Sidewalk wisdom has it that he had been involved in an arms shipment to Mr Fadika, had double-crossed him, and been killed in consequence.

The truth behind the story will probably never be known, but it is far more likely that Mr Fadika was dismissed because he was drumming up support as a future presidential contender in his home region, one quite different from the area Mr Houphouët-Boigny's politically predominant tribe comes from.

In January four local ruling-party general secretaries from Mr. Fadika's area were also dismissed.

Among the ambitious young turks of the party there are some who conceivably could — and, given the opportunity, would — step into the President's shoes.

Of these, the president of the National Assembly, Henri Konan Bedié is the obvious candidate; he is number two in the PDCI, a member of the President's ethnic group.

He is empowered to rule for 60 days after the President's demise before opening the leadership to party election. Few things in Africa, however, are less sure than political succession.

Of one thing, Felix Houphouët-Boigny must be certain; he will enter the here-after not as a servant but as a chief. Beyond that he claims to know little more.

"God will help us find the man who will carry on my work," he said at a press conference in 1985.

"Don't keep returning to talk about potential candidates. In the Ivory Coast, everyone is a presidential candidate."

World Bank and IMF criticised at African conference

BY VICTOR MALLET IN KHARTOUM

AN INTERNATIONAL conference on African economic recovery ended here yesterday with sharp criticism of austerity programmes by the International Monetary Fund and the World Bank and an appeal for more donor funds for the continent.

The meeting focused on the human costs — such as unemployment and falling living standards in urban areas — of the structural adjustment programmes being undertaken by more than 25 African countries.

"Far too many of these programmes — whether nationally conceived or in collaboration with the World Bank, the IMF and the donor community — are rending the fabric of African society," said the so-called Khartoum Declaration which followed four days of deliberations. "Rather than improve the human condition, the structural adjustment programmes have aggravated it because they are incomplete.

The new consensus represents not so much a weakening of the will to reform as a belief — increasingly shared by donors such as the World Bank — that vulnerable groups need special protection to ensure political stability and long-term economic development. In sub-Saharan Africa, both Sudan itself and Zambia have seen their economies undermined by unpaid IMF debts, failed IMF programmes and food riots after the removal of consumer subsidies. The United Nations-sponsored meeting of donors, African officials and academics in a conference hall on the banks of the Blue Nile was the culmination of a campaign waged by such people as Dr Richard Jolly of the UN children's fund to give Africa's structural adjustment programmes a more human face.

"We've seen a remarkable shift in thinking in governments, and in both the Fund and the Bank," Dr Jolly told a news conference. "Somehow we've gone through a bizarre, distorted phase in which these (human) issues were forgotten, and the fact that this is now changing is wonderful."

A special $84m programme to mitigate the social costs of economic reform in Ghana, agreed recently by donors, has been hailed as a breakthrough by those who fear the adverse effects on African health and education of IMF-inspired restrictions on government spending. Many delegates argued against what they saw as the IMF's obsession with economic indices.

Donors, although criticised for failing to disburse sufficient money overall to support African reforms, have by and large accepted the "human dimension" argument and have begun to help with relief schemes.

The IMF was attacked by Mr Stephen Lewis, Canada's ambassador to the UN and special advisor on Africa to the UN Secretary General, as arrogant and insensitive for sending a junior representative to the Khartoum meeting. IMF and World Bank officials, meanwhile, emphasised that higher agricultural producer prices under structural adjustment programmes usually helped the poorer Africans — the peasant farmers — at the expense of urban workers and politically powerful vested interests.

The handful of delegates opposed to the underlying principles of IMF programmes were unable to marshal much evidence to support their contention that IMF policies were ruining African countries. The few figures available show that African countries with World Bank or IMF programmes have done better (or less badly) in terms of economic growth and agricultural production than those without them.

Argentina, UK in accusations over Falklands

BY TIM COONE IN BUENOS AIRES

A WAR of words has broken out between Buenos Aires and London over the "Fire Focus" military exercises which began in the Falkland Islands on Monday.

On Tuesday evening the Argentine Foreign Ministry denied UK Foreign Office statements made earlier in the day that Argentina had been informed with "due anticipation" of the manoeuvres, that they would be "a modest exercise", and that only three Latin American counties had as yet protested to the UK.

"All these points are untrue," said the Argentine Foreign Ministry, adding that the first knowledge Argentina had of the exercises was the announcement in the British Parliament on February 11 "which described the manoeuvres in terms which left no doubt as to their magnitude."

Argentina also said "all the Latin American countries, together with six English-speaking Caribbean nations, expressed their disapproval in the Organisation of American States, called for restraint and urged negotiations."

The Defence Minister, Mr Horacio Jaunarena, meanwhile sent a bellicose telegram to military units stationed in the south of the country in which he said that the manoeuvres were "a clear provocation" and that "the reluctance of the British Government to sit at the the negotiating table . . . demonstrates its lack of justification to continue the situation of territorial occupation."

Argentina "is ready to defend its rights over the Malvinas against all claims," he added, "rendering honour to those who fought with courage and who generously offered their lives in the face of an enemy which was materially superior."

In a television interview on Tuesday night, however, the Navy commander-in-chief, Vice-Admiral Ramon Arosa, appealed to the local press to tone down its reporting on the conflict and said that at the moment the navy's activities was limited to monitoring British radio transmissions around the Falklands.

RAF aircraft forced down in Uruguay by oil leak

BY TIM COONE

A ROYAL Air Force transport aircraft bound for the Falkland Islands was forced to land in Uruguay on Tuesday night after an engine failure.

The incident comes just after the start of the "Fire Focus" military exercises in the islands, which have produced a sharp diplomatic response and a "defensive military alert" in Argentina.

Various Latin American countries, including neighbouring Uruguay, have expressed support for Argentina, and have questioned the political timing of the British manoeuvres.

According to the British Embassy in Montevideo, the Uruguayan capital, the C130 Hercules aircraft developed a serious oil leak in one of its four engines around midnight GMT on Tuesday, and had to land at Carrasco, just outside the capital, to carry out repairs.

The embassy said: "We are extremely grateful to the Uruguayan authorities for their humanitarian assistance. The aircraft had very little fuel left."

It said the Hercules was "on a routine flight carrying general supplies and is not directly involved in the manoeuvres."

The aircraft and its crew of seven were still in Uruguay yesterday and it remained unclear when the aircraft would be able to continue its journey to the Falklands.

The Argentine Foreign Ministry in Buenos Aires said: "We have no comment."

The Uruguayan Foreign Ministry said: "We have no official information at present."

Meanwhile, the Argentine government news agency Telam reported the aircraft's emergency landing and said it contained "a shipment of bombs and explosives." It did not elaborate.

The news agency, citing Foreign Ministry sources, said the transport aircraft remained on Wednesday afternoon under "Uruguayan military custody" and that Brazil had denied it permission to make an emergency landing.

Telam also said without elaboration that the Argentinian Foreign Minister, Mr Dante Caputo, a critic of the military manoeuvres, was "in telephone communications with his Uruguayan counterpart, Enrique Iglesias."

Peru to introduce 'war economy'

By Barbara Durr in Lima

PERUVIAN President Alan Garcia announced on Tuesday night that he would introduce a "war economy" to reduce Peru's dependence on imports and increase exports.

Peru's shift of policy marks the end of the consumption-led heterodox growth strategy that President Garcia began two and a half years ago. He did not, however, announced any change in his restriction on payment of foreign debt at 10 per cent of exports.

Mr Garcia raised petrol prices 50 per cent, an increase lower than expected. He said there would be a devaluation and that interest rates would rise, but he gave no specific amount.

Mr Gustavo Saberbein, the Minister of Economy and Finance, was due to speak last night with further details. In an address on national television of nearly an hour, Mr Garcia said the prices of a number of basic foodstuffs would increase, subsidies were to be eliminated and the minimum wage would increase 60 per cent and civil service salaries between 40 and 45 per cent.

Given the severe shortage of foreign exchange, dollars will no longer be available from banks for foreign travel.

In an effort to chop the fiscal deficit Mr Garcia said the Government could no longer afford inefficient state companies that lost money.

He said the Government would review its portfolio to see which companies it could sell.

The new strategy would be for "selective growth" in industries that produced food, clothing, housing and exports.

Turks and Caicos chief minister

Mr Oswald Skippings, leader of the People's Democratic Movement party in the Turks and Caicos Islands, is being sworn in this week as the islands' chief minister 18 months after a British government enquiry investigating alleged corruption, Canute James reports from Kingston.

The PDM took 11 of 13 seats contested in elections last week, and Mr Skippings will head the first ministerial government to run the British colony since July 1986 when the government was dissolved.

Guatemala's timid President has not confronted the major issues says **David Gardner**

Strategy gap threatens Cerezo, the survivor

WHEN PACAYA volcano near Guatemala City blew its top this time last year, the 5km-high flames and ash formed into a haunting image resembling a Madonna and Child. It was captured by a local photographer and celebrated by the faithful of this mist-shrouded land as an apparition of the Virgin in Guatemala's time of need.

For Vinicio Cerezo, Guatemala's Christian Democrat President, it was an ambiguous omen.

Two years into his term, which began after a blood-soaked procession of 18 military governments, Mr Cerezo is still in the presidential palace, in itself a major achievement. He has stabilised the economy and won international legitimacy for his government.

But though in achieving this, he has proved a good tactician, he has never looked like a man with a strategy. He has inveigled back slices of power from the army, but is timid about using it.

Mr Cerezo, aged 44, has survived three extreme right attempts on his life during his career, including a bazooka attack. He cannot be assumed to be "frightened of his own shadow", as one veteran analyst here put it. The forces he has to contend with remain considerable.

The centre-right Christian Democrats, voted in by a landslide in late 1985, replaced a long and vicious counter-revolution. This was begun by the CIA-organised 1954 coup which toppled the elected government of Jacobo Arbenz — the last President who tried seriously to reform and make Guatemala a modern country.

As in El Salvador, power has been, and in key ways still is, wielded by a far-right coalition of the army, the plantation oligarchy, and business, which has physically liquidated most of the political left and centre. No quarter has been given in the 27-year-old fight against a left-wing rural insurgency, a war that has cost an estimated 100,000 dead and 38,000 "disappeared", the overwhelming majority victims of the army and paramilitary "death squads".

In both countries, the capital cities glitter with dollar-fired prosperity. But in stark contrast is the militarised countryside, stalked by landless peasants and teenage widows — in Guatemala's case, Mayan Indians who make up more than half of the 8.4m population. The power of the civilian government for most practical purposes ends at Guatemala City's limits.

Mr Cerezo's first priority has been to get the army, which had viewed him as a Kerensky (the leader of Russia's post-Tsarist and pre-revolutionary government) on his side. Unlike President Alfonsin in Argentina, he has in effect wiped the slate clean on military human rights abuse and corruption. As a result he has cemented a solid alliance with Gen Hector Gramajo, the Defence Minister, and slotted allies into key commands.

This alliance withstood last autumn's revolt over a new tax package, when the far right and private sector found they could not rattle as many sabres as they had effortlessly done in similar confrontations in the past. Diplomatic and military analysts say that plotters grouped around Gen Pablo Nuila Hub, a displaced hard-liner, were quickly isolated in October.

Internationally, Guatemala under Mr Cerezo has ceased to be a pariah. It is no longer to be bracketed with South Africa, Chile, or pre-Alfonsin Argentina, which along with Israel and Taiwan have been key suppliers of weapons after the Carter Administration cut off aid in 1977 because of the regime's appalling human rights record. US aid rose to a record $193m in 1987 and will be at least $146m this year.

The Central American peace pact, signed in Guatemala last August, began gestation at a Cerezo-arranged summit at the local shrine of Esquipulas in May 1986, though it was President Arias of Costa Rica who came up with a viable plan. Last year Guatemala also hosted European Community and Socialist International meetings, unthinkable only two years ago.

The Cerezo government has stabilised Guatemala's $10bn economy, the biggest in Central America, through a conventional mix of monetary and fiscal measures. This was helped initially by cheaper oil and higher prices for coffee, the country's main export. Trade flows totalling $2bn are in rough balance, the quetzal has been strengthened, inflation is down from an annualised 43 per cent in March 1986 to 9 per cent now, and after seven straight years of falling per capita growth, a 25 per cent fall in real living standards are forecast to edge up this year.

But there is little sign the Government intends structurally to reform the economy through, for instance, land and tax reform, and higher spending on health and education. As a local editor put it drily, "the country's not badly off statistically . . . only the people are."

Gen Gramajo himself dumbfounded the powerful Employers' Council last year, telling business it had "to pay the "social debt", otherwise the guerrillas will recover the banners of legitimacy". But the same private sector which responded intuitively to the stabilisation programme revolted instinctively at the Government's modest attempt to raise the tax base, which had fallen to a derisory 6 per cent of gross domestic product.

It regards taxes as anathema and auditors almost as communists. The offices of the Swiss Societe Generale de Surveillance, hired to monitor Guatemalan trade last year, were bombed during the tax revolt.

The land tenure system, whereby 3 per cent of the population owns 65 per cent of the land, remains intact. Under pressure from the far right and the army Mr Cerezo has rejected agrarian reform as an emotive and destabilising issue (which undermined Arbenz in 1954).

Heavily dependent on Christian Democracy's rural base and under pressure from the Church, the Government has bought up and distributed some 12,000 acres. But its attempt to institute a voluntary land register to get an accurate picture of holdings and their rateable value has again set the oligarchs on the warpath.

Buffeted by pressure groups from all sides Mr Cerezo appears in his element — the referee who has replaced the army unless the game gets out of control. But the major issues are not really being resolved.

Last October, for instance, the Government held talks in Madrid with the guerrillas, as required by the Central American peace pact. Though reduced to an estimated 1,500 combatants fighting in three northern strongholds, the insurgents last autumn held off an offensive by 25 battalions from the 43,000-man army.

The army appears to have understood the talks as a once-and-for-all, cosmetic compliance with the pact. Mr Cerezo has pushed gently for a new round of negotiations which his his spokesman yesterday said might be mediated by Monsignor Prospero Penados, the archbishop of Guatemala. But what is much less clear is whether he would be bold enough to put anything of substance on the table. After timidity, lack of vision is widely held to be Mr Cerezo's main deficiency.

Mr Roberto Carpio Nicolle, Guatemala's Vice-President, is currently on a week-long official visit to Britain. He is the most senior Guatemalan to visit the UK and his presence underlines the sharp improvement in relations since full diplomatic ties were restored last year.

Guatemala cut all diplomatic relations with Britain when Belize, to which it lays claim, was granted independence in 1981. In the past two years, Guatemala has begun to play down this claim, allowing a gradual restoration of diplomatic relations. However, Britain still retains some 1,400 troops in Belize under a defence pact, and there has been no indication of if and when they would be withdrawn.

Mr Carpio has focused less on this issue and more on seeking support for President Cerezo's idea of a Central American parliament, now an integral part of the Arias regional plan. The parliament would be based in Guatemala and elections are due to be held towards the end of the year.

Canada ponders abortion law

BY DAVID OWEN IN TORONTO

THE CANADIAN Government is pondering new abortion legislation, following a Supreme Court decision to strike the country's existing abortion laws off the criminal code.

This has left Canada as the only Western industrial nation bereft of legislative rules on the procedure. It has also placed Mr Brian Mulroney's Conservative Government in the invidious position of having to debate what is traditionally an emotive and divisive issue in a possible election year.

The decision, which ruled that the existing law was unconstitutional because it violated a woman's right to "life, liberty and security of person", means that abortion is now theoretically available on demand in Canada – if a doctor willing to perform the operation can be found.

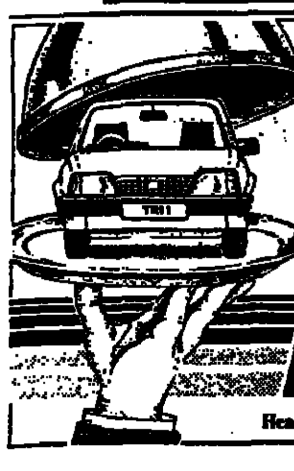
Since 1969, section 251 of the criminal code has restricted the procedure to accredited hospitals and to cases in which the majority of members of a hospital's therapeutic abortion committee certified that the pregnancy was a danger to the "life or health" of the woman. Since 1979 the number of abortions performed in Canada has remained stable at 60-65,000 a year.

In practice, however, access to the procedure, pending new legislation, will continue to vary considerably from province to province, depending both on the nature of facilities available and the provinces' widely divergent views on what categories of abortion they are prepared to pay for through their respective health plans.

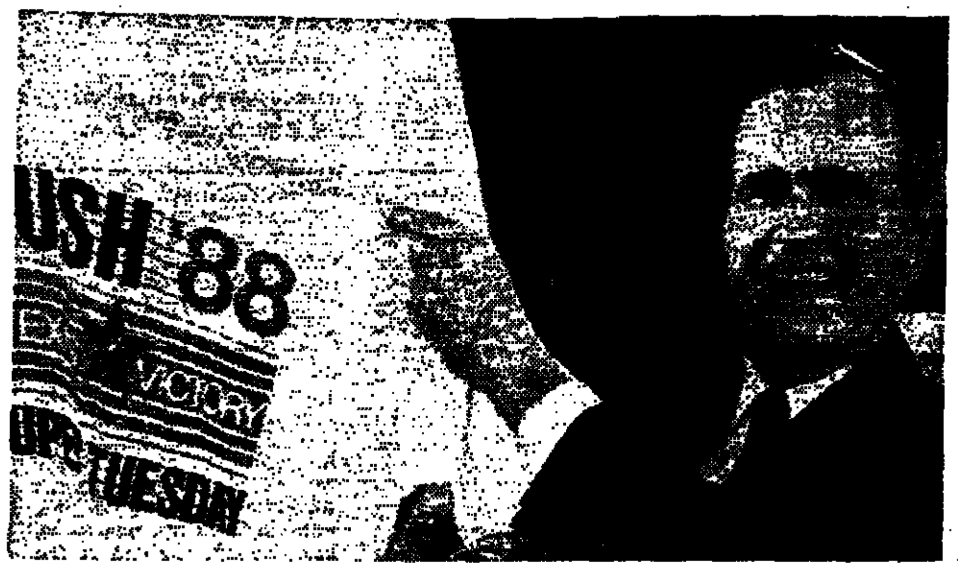
For example, in 1987, only one Newfoundland hospital regularly performed abortions, while tiny Prince Edward Island did not provide abortion services at all. Since the Supreme Court ruling, Ontario has decided to finance all abortions in the province, while British Columbia has opted to pay for the procedure only when the woman's health is threatened.

The Government now faces the impossible task of formulating new legislation, acceptable both to the strong and vocal pro-life lobby to whom abortion is murder and to those who feel that women should have full control over their reproductive systems.

As in the UK, debate is likely to centre on the moment of time in a pregnancy at which the rights of the foetus should be deemed to prevail over those of the woman.



US PRESIDENTIAL ELECTION — SUPER TUESDAY



● An exultant George Bush (left) flourishes a tee-shirt proclaiming his victory in Texas. The Republican made a near clean sweep in all the states voting on Tuesday

● Michael Dukakis (right) and his wife greet supporters who helped push him ahead in the Democratic race

Bush shows his rivals a clean pair of heels

BY LIONEL BARBER IN WASHINGTON

VICE-PRESIDENT George Bush's sweeping victory in the Super Tuesday regional primaries has made him the near invincible candidate for the Republican party's nomination for President.

With more than half the 1,139 delegates needed for the nomination under his control, Mr Bush has a huge lead over his chief rival, Senator Robert Dole of Kansas. A Bush win next week in the Midwest industrial state of Illinois could deliver the knock-out blow.

The Vice-President has also steamrollered his two other Republican challengers: Congressman Jack Kemp of New York, and the Rev Pat Robertson, the former television evangelist.

Mr Kemp, who started as the conservative intellectuals' candidate and ended as a football-throwing cheerleader for the Reagan tax-cutting revolution, appears ready to withdraw from the race. Mr Robertson has vowed to fight on, but his failure to win any states in the Southern Bible Belt, his home territory, make him a fringe candidate.

If Senator Dole is to halt Mr Bush, he must create a fire-break in Illinois where his own polls last week showed him eight points behind the Vice-President. A defeat there would dramatically increase the pressure for the party to unite behind a winner; moreover Mr Dole's lack of organisation (he is not even on the slate in many Congressional districts in the delegate-rich state of New York) now looks a fatal flaw in his campaign.

Only four weeks ago, when Mr Bush suffered a humiliating third place finish in the Iowa caucuses, the race looked very different. Hounded by questions surrounding his ambiguous role in the Iran-Contra scandal and his effectiveness as Vice-President, Mr Bush came across as hesitant, testy and eminently beatable.

The turning point came in the New Hampshire primary. The Dole campaign played safe and pinned its hopes on an apparent surge of support in the polls. The Bush camp, helped by a superb field organisation led by Governor John Sununu and a burst of negative television advertising, plugged the leaks and led the Vice-President to a convincing victory.

Mr Bush's landslide win on Super Tuesday replicated the New Hampshire strategy: broad television advertising stressing his claim to the Reagan legacy, coupled with a regional party organisation which none of his rivals could match.

If Senator Dole is to defeat Mr Bush he must create a fire-break in Illinois, where his own polls last week showed him eight points behind the Vice-President

The Vice-President has literally spent seven years cementing loyalties in the Republican party hierarchy, exploiting his office to offer promises of future patronage.

Mr Kevin Phillips, a Republican political analyst, said that only some unforeseen scandal – Panama, Iran-Contra or from his days as CIA director – can deprive Mr Bush of the nomination.

Yet, so far the Republican race has been marked by a personal antagonism, even class warfare, between the genteel East-Coaster Mr Bush and the gritty Midwest fighter Senator Dole, with Mr Robertson a spoiler on the sidelines. The potential for conflict – despite Mr Bush's crushing victory in the South – looms large in the Republican race all the way to the party convention in New Orleans in August.

Confusing signals for Democratic contenders

"IT'S A new race," Senator Al Gore proclaimed as he shouldered his way into the front rank of the contenders for the Democratic presidential nomination on Tuesday night.

But it is also a confusing race. How do you explain the fact that the victor in Iowa, Rep Richard Gephardt, the man whose message has been misinterpreted as merely an expression of economic nationalism, virtually disappeared in a region where such populist appeals have traditionally fallen on open ears?

BY STEWART FLEMING IN WASHINGTON

How do you explain that 20 years after brutal race riots divided the nation and weeks after an innocent black man was beaten to death in an East Texas jail by a white sheriff, that a black presidential candidate can (with the support of a small but symbolically significant white vote) defeat all his white rivals in Deep South states where a generation ago he himself had to go to a separate toilet?

How do you explain the fact that Senator Gore, who two weeks ago was widely written off as having blundered by getting into the race late, is now the most potent challenger to Governor Michael Dukakis of Massachusetts as the race moves into the industrial states, first of all Illinois next week?

Part of the answer to these questions is the role television is playing. That it is not the whole answer is evident from the fact that the Rev Jesse Jackson, the black man whom the party in effect rejected as a serious politician in 1984 but must now come to terms with, spent only a few hundred thousand dollars on television advertising.

Without concluding that television is having a powerful impact on the Democratic race it is hard to explain either Mr Gephardt's abysmal showing or Senator Gore's spectacular one.

Short of funds, Mr Gephardt says he spent only $1m on television advertising (a third of that each of his rivals committed) and, three weeks after New Hampshire's primary, short of the time needed to campaign vigorously in 20 states, the Missourian was unable to get his message out.

Senator Gore, with a war chest of more than $2m stored up for Super Tuesday, swamped the man he was challenging for the moderate, blue-collar southern vote.

He was able to do so not only because of his regional appeal as a son of the South, but in part because the voters this year are so suggestible. Apathetic, indifferent, undecided, and emotionally unconnected to any of the candidates apart from Mr Jackson, they were sitting ducks for the concentrated two or three day advertising campaigns they were barraged with, and those with the biggest guns and best trained guns, Senator Gore and Governor Dukakis, won.

Mr Gephardt found himself in the sights of both his two rivals as each sought to eliminate him from the contest.

But it would be a mistake to suggest that the powerful role television is playing is drowning out Americans' real concerns. To say that the campaign is issueless is erroneous. It is rather that the issues have been ill-defined.

Take Rep Gephardt for example. Yes, his call for America to stop being "too good", that it is a victim of a world trading system which its trading partners are taking advantage of, is economic nationalism.

But all the candidates, Republican and Democrat, are saying, too, that America's Nato allies must share more of the burden of an alliance which, to use Mr Gephardt's tone, is now victimising a superpower whose economy is stretched to breaking point by budget and trade deficits and the associated burden of debt. It is the tone of Mr Gephardt's rhetoric, not the content of his argument, which differentiates him so sharply from several of his rivals.

The issue, however, is the same in both cases. How is the US to come to terms with a changing world and what policies should Democrats advocate to accomplish that adjustment? Sadly none of the candidates feels strong enough to say that burden-sharing also involves sharing the burden of decision-making more equitably.

But it is not just relations with the rest of the world that are at issue. The resentment which Mr Gephardt has tapped, and which will not disappear even if his candidacy does, is the resentment of a blue-collar working class feeling increasingly insecure, both economically and socially.

They see drugs and AIDS and teenage pregancies spreading from the ghettos to their homes, they see companies cutting pension and health benefits, and they see their schools no longer functioning effectively.

As one listens to the speeches of the political populists in the Democratic field, Rep Gephardt and Rev Jackson and on the Republican side Mr Pat Robertson, who is saying much of the same thing but coaching it in terms of moral not social regeneration, these concerns come through loud and clear. And audiences respond powerfully to them.

Where it not for the limits imposed by the huge federal budget deficits which Mr Reagan has wittingly left behind to constrain social activism, the other democratic candidates would also be addressing these issues head on.

DELEGATE WINNERS BY STATE

	Republicans	Democrats
Alabama	Bush	Jackson
Arkansas	Bush	Gore
Florida	Bush	Dukakis
Georgia	Bush	Jackson
Hawaii		Dukakis
Idaho		Dukakis
Kentucky	Bush	Gore
Louisiana	Bush	Jackson
Maryland	Bush	Dukakis
Massachusetts	Bush	Dukakis
Mississippi	Bush	Jackson
Missouri	Bush	Gephardt
Nevada		Gore
North Carolina	Bush	Gore
Oklahoma	Bush	Gore
Rhode Island	Bush	Dukakis
Tennessee	Bush	Gore
Texas	Bush	Dukakis
Virginia	Bush	Jackson
Washington	Robertson	Dukakis

Based on the delegate totals

Jesse Jackson marches past another US milestone

A GENERATION ago the Rev Jesse Jackson, the black leader who marched with Martin Luther King in the civil rights movement, would not have been permitted to vote in several of the states of the deep South where he swept to victory in Democratic primaries on Tuesday, writes Stewart Fleming. As Mr Jackson said yesterday, in those days "blacks were picking cotton, now they are picking Presidents".

Nor, 30 years ago, when he was using public accommodation, would he have been allowed to eat or drink with the white voters who cast their ballots for his candidacy.

Yesterday, exultant over the success of his "new Southern message," Mr Jackson declared: "We have gone from the mainstream to a broad based river.... our coalition represents the future of the Democratic Party."

The voting rights for which Mr Jackson marched are now exercised by the black populations of the South in just the same way as whites. Recent studies have shown that it is not race, but education level which determines voter turnout in presidential elections in the South.

Mr Jackson's support still comes overwhelmingly from the black community, however. Exit polls suggest that 90 per cent or more of those who cast their ballot for him were black. But that is a powerful voting block which the Democrats need to win in November.

This, coupled with a message which is appealing to some liberal and blue-collar Democrats, too, and a more subtle approach to his party and its core voters, means that Mr Jackson will come to the convention in Atlanta in July as a man who can wield considerable influence and the ability to demand that his concerns are satisfied.

Vice-President emerges from the shadow

FOR SEVEN years, George Bush has stood in the shadow of Ronald Reagan, a portrait of self-effacing loyalty to the President, writes Lionel Barber.

On Tuesday night, Mr Bush's fealty and President Reagan's popularity in the South handed the Vice-President a crushing victory over his Republican rivals in Tuesday's regional primary and caucus elections. Today, he stands within an ace of his party's presidential nomination.

Yet questions persist about the Bush candidacy. They turn on his electibility in November against a Democrat presidential challenger; more broadly, they revolve around the man himself, what he stands for and why he wants to become President.

Mr Bush, a mannered speaker at the best of times, arouses none of the warmth of President Reagan. "I am a practical man," he said last autumn, "I am not much for the airy and abstract.... I do not yearn to lead a crusade."

So far, Mr Bush has been running on his resume: a millionaire career as a Texas oilman (helped by $300,000 start-up funds found by a rich uncle); ambassadorships to the United Nations and Communist China in the Nixon and Ford Administrations; his brief stint as CIA director and the Vice-Presidency. On policy detail, Mr Bush is obstinately broad-brush.

The clearest outlines emerge on trade. He likes the US-Canada Free Trade Agreement, under consideration by the US Congress, and he would like to expand it to Mexico, a country he knows well. Influenced by his friend Mr James Baker, US Treasury Secretary, Mr Bush refers to the need to expand growth through international economic co-operation.

Mr Baker, who ran the Bush presidential campaign in 1980 and whose job this year is to keep the US economy on an even keel, would be a significant force in a Bush Administration.

On defence, Mr Bush embraces the intermediate-range nuclear forces (INF) treaty signed last year by Mr Reagan and Mr Mikhail Gorbachev. He backs efforts to conclude a further arms pact with Moscow to cut strategic nuclear missiles by half and he remains committed to the "Star Wars" anti-ballistic missile shield.

Like all the candidates, Mr Bush is fuzzy on tackling the Federal budget deficit, likely to be around $150bn this year. He has ruled out tax increases and has backed a four-year lid on government spending. Like President Reagan, he embraces the improbable goal of a line-item veto to strike out pet Congressional spending projects plus a balanced-budget amendment to the US Constitution.

Yet a President Bush would like to increase spending on AIDS research, space, drug enforcement and education. "I want to be the education president," he says.

Gore's gamble pays dividends

SENATOR Albert Gore, the 39-year-old moderate Democrat from Tennessee, pulled off one of the most daring gambles in modern presidential campaigns on Tuesday, vaulting to the front rank of candidates for the Democratic Party's nomination after all but ignoring the early battles in Iowa and New Hampshire, writes Stewart Fleming.

Lampooned as "Prince Albert" by one prominent political cartoonist for his decision to stay aloof from the initial melee and because of a touch of hauteur in his demeanour, Mr Gore will now find himself and his positions under heavy fire by his rivals.

Even as the results were coming through on Tuesday night some respected analysts were predicting that he would find it hard to repeat his triumph in the industrial states of the Midwest and the Northeast.

On this view Senator Gore's victories on Tuesday reflected primarily the combination of two forces. First, he shrewdly husbanded his financial resources to compete effectively on the broad canvass of Super Tuesday and this gave him a huge advantage over his main rival on the day, Rep Richard Gephardt, whose cash-starved campaign failed miserably to make contact with an apathetic electorate.

Secondly, it is argued that Mr Gore was able to present himself as a son of the South, a candidate who instinctively responded to the concerns of a region in which confusing strains of conservatism, populism and patriotism are woven into a political tapestry which has been stretched and torn by the breakdown of official racial segregation and the dramatic economic growth and urbanisation over the past 20 years.

But to define his appeal so narrowly is to overlook the breadth of the issues he is addressing intellectually, but still struggling to translate into a compelling message for ordinary voters.

Initially, he sought to differentiate himself from his rivals in the campaign by stressing his more conservative stances on national security and presenting himself as the Democrat who is strong on defence.

A recognised expert on arms control and defence issues, he has supported President Reagan's decision to send naval ships to the Gulf, laboratory (but not space-based) testing for the Strategic Defence Initiative and funding for the MX and Midgetman nuclear missiles. He has also voted for non-lethal aid to the Contra rebels in Nicaragua.

However, while favouring partial means testing of some government benefit programmes, limiting farm supports to the family farmers who need them most, and more efficent defence procurement systems as part of the answer to the budget deficit, he also believes there are urgent social needs which have been woefully neglected by the Reagan Administration.

Gore: under fire

The moderate conservative image he has adopted in the early stages of the campaign is only part of his political identity. He has the most liberal voting record of all the candidates, a reflection of battles he has fought in Congress against corporate interests as well as his obvious concern about child poverty and the threat to society posed by the urban underclass. "Our children have not had a President during the Reagan years," he says.

Cool Dukakis fails to fire up party faithful

GOVERNOR Michael Dukakis is a Massachusetts pragmatist whose liberal foreign policy views present an inviting target to Senator Albert Gore, now his main Democratic rival, writes Stewart Fleming.

But nobody expects him to crumble under the pressure of being frontrunner. Gov Dukakis came back to dominate Massachusetts politics in 1982 after losing the Governor's mansion four years earlier in an unexpected defeat. "He has ice in his veins," says one admirer.

His coolness under pressure is both a strength and a weakness, however. For, even as he has constructed the most powerful campaign of any of the Democrats he has consistently failed to excite the party faithful.

The thrust of the 54-year-old Governor's message has been to appeal to the natural optimism of US voters. Where Rep Richard Gephardt of Missouri has been suggesting that America needs to be more aggressive in its economic self-interest and to lash out at foreigners taking advantage of American generosity, Mr Dukakis argues that the path to a new era of prosperity and world leadership lies in working with the corporate interests and the foreign governments Mr Gephardt would confront.

How does he know this will work? "I've done it," says the squat son of Greek immigrants who is claiming more than his share of the credit for transforming the Massachusetts economy from an incipient casualty of the rust belt to a high tech, financial services vision of America's future.

Moreover, he says he has done it while improving the services the state government has been delivering to the poor, lowering state taxes and balancing the budget. His imaginative programmes for helping (particularly black) women out of abject poverty and into jobs, and the prospect that Massachusetts will soon have the state health insurance scheme he has fought for, are testimony to his political skill as well as his determination.

It is a record which, on a technical level, has impressed enough Democrats to give Mr Dukakis not just strong showings in the early primaries and caucuses in Iowa and Minnesota (he swept the New Hampshire primary too but that was a fight he conducted in his own backyard). On Tuesday he scored resounding victories in both Texas and Florida, the two Super-Tuesday states with the most delegates to the Democratic convention at stake.

But these victories will not be enough to quiet the critics who say he has yet to demonstrate the breadth and depth of support his party needs to mount a strong challenge for the Presidency in November.

Italimpianti to build steel plant in Java

By John Murray Brown in Jakarta

ITALIMPIANTI, the Italian construction company, has signed a $208m (£115m) contract with an Indonesian-Hong Kong consortium to build a steel plant in Java after edging aside Mannesman Demag of West Germany.

Finance for the plant, to have an annual capacity of 300,000 tonnes of seamless pipe used in oil rig construction, is still to be arranged.

The consortium, which comprises four Indonesian companies and a Hong Kong-based investment group, was earlier reported to be providing an equity stake in the project.

Bankers in Jakarta believe loan finance may be more difficult to arrange. Banque Paribas is acting as lead bank with a package likely to include an Italian export credit and both foreign and local commercial loans.

The project will include arc furnaces and continuous casting with a pipe and finishing mill.

The consortium is 30 per cent owned by Pertamina, Indonesia's state oil company, and 39 per cent by Bakri Brothers, the country's leading non-Chinese private industrial concern. The state-run PT Krakatau Steel holds 4.9 per cent, PT Encona Engineering 6.1 per cent and the Hong Kong-based Asia Pacific Pipe Investment 20 per cent.

● Krakatau plans a $400m investment to modernise and expand capacity of its sponge iron plant at Cilegon, Java.

Mr Tungky Aribowo, company president, says 60 per cent of the funding will be provided by foreign contractors through export credit and the balance will be raised by local banks.

First tenders have already gone out for expansion of a wire rod mill, which will cost $60m. Mr Aribowo expects loans for the total amount to be in place by the end of the year.

The expansion will increase the plant's capacity from 1.5m tonnes to 2.5m tonnes a year. Mr Aribowo also hinted that the finance would be on a non-recourse basis, with the lender reimbursed by project revenues.

Foreign contractors are expected to source 50 per cent of their project costs to local suppliers.

West German engineering may face Japanese export onslaught

BY ANDREW FISHER IN FRANKFURT

JAPANESE ENGINEERING companies are likely to mount an export onslaught on Europe now that the dollar's fall has cut sharply the size of their turnover in the US, Mr Frank Paetzold, president of the West German mechanical engineering association (VDMA), said yesterday at its annual press conference.

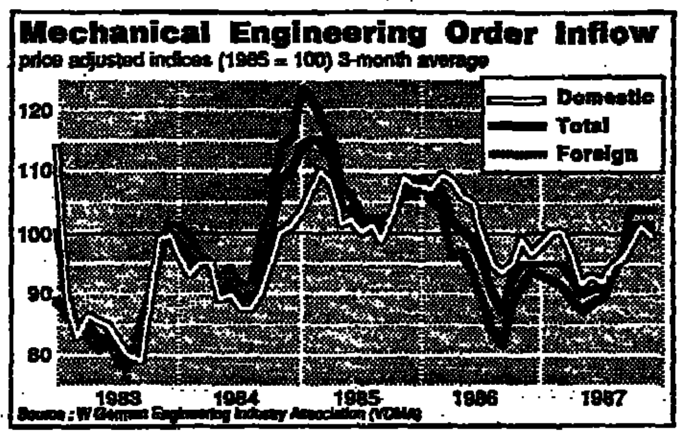
The warning comes as West German industry faces another year of lower output as a result of slow investment growth at home and the impact of the high deutschemark abroad. Short-time working has risen and capacity utilisation fallen.

Taking up the theme of whether West Germany was becoming too costly to be competitive, Mr Paetzold also cited the country's move to shorter working hours, its high corporate taxes, and its slow-moving bureaucracy as factors which lessened its attraction as a manufacturing base.

In its wide spread of foreign markets, however, he said that West Germany's mechanical engineering industry had a strong advantage. Its exports, down last year by 2.4 per cent to DM94.5bn ($57bn), represent nearly 60 per cent of output. VDMA members expected growth this year in sales to western Europe, China and the Far East, but were less hopeful about the US and eastern Europe and still pessimistic about South America and Opec countries.

Japan, on the other hand, was far more oriented towards the US, to which it sent 35 per cent of its exports. In machine tools, the share taken by the US was as much as 42 per cent, Mr Paetzold noted. Hit by the dollar, West German industry's sales to the US last year fell by 9 per cent to DM9.8bn, representing 10 per cent of all its foreign sales. Sales to the EC, however, rose 5 per cent to DM42.4bn, or 45 per cent of exports.

With just over 1m people, mechanical engineering is West Germany's biggest employer. But output fell by a real 2 per cent in 1987, a rate of decline expected to recur this year, although new orders have picked up in recent months. Capacity utilisation has fallen below 84 per cent from nearly 90 per cent in the autumn of 1986 and 37,000 workers are on short-time against an average of 31,000 last year, though this is still well under the 117,000 of 1983.



Warnings of increased Japanese market penetration have been made in the industry for some time. Last year, however, Japanese engineering exports to West Germany were only 1 per cent higher at DM4.6bn. West German purchases from Britain, the Netherlands, and Austria showed steeper rises, with total imports 2 per cent higher at DM39.6bn.

A study carried out by the VDMA showed, interestingly, that West German engineering companies generally regarded their stiffest competition as coming from rivals in West Germany, followed by Italian, Japanese and US concerns. Overall, said Mr Paetzold, West German profits would diminish this year as companies came under stiffer competition abroad and tried to hold down costs at home.

Unions' drive for a shorter working week – from April 1, the industry moves to 37.5 from 38.5 hours – will especially hit the engineering industry, with its large number of small and medium-sized companies, Mr Paetzold said. Already, West German workers and technicians worked 600 hours (3.5 months) a year less than in Japan. Up to the year 2,000, this would give the Japanese, with fewer holidays and longer weeks, a lead of 3.5 years.

He compared it to an international football match: "It's as if we would say after 70 minutes, 'now we stop playing' and let the other side play on for the full 90 minutes."

EC seeks crackdown on Japanese counterfeiting

BY WILLIAM DAWKINS IN BRUSSELS

THE European Community is to ask the Tokyo Government for a crackdown on counterfeiting of EC goods in Japan and better market access for imports of pharmaceuticals and farm products.

The demands will be made by European Commission officials in the next few months at regular trade talks with their counterparts at Japan's Ministry of International Trade and Industry, said Mr Willy De Clercq, EC Commissioner for External Relations.

Mr De Clercq said there had been real progress on the present sector-by-sector trade talks on market opening measures for cars, medical equipment and cosmetics.

He expected the EC's trade deficit with Japan to be slightly lower in the current year but that the country would still export three times more to the Community than it imports from the EC.

"That is still unsatisfactory when you are talking about relations with developed countries," said Mr De Clercq, who was commenting on the Commission's latest report on the EC's relations with Japan. He was, however, convinced that the Tokyo Government was committed to encouraging broad market opening policies.

Commission officials said the issues to be tackled in the new round of trade talks included high Japanese import duties for pigmeat, cut flowers and citrus fruits, restrictive food standards, the refusal of Japanese pharmaceutical authorities to recognise the results of clinical tests accepted in the EC and poor controls against counterfeiting of luxury goods from the Community.

De Clercq: "unsatisfactory"

Other sources of trade friction listed by Mr De Clercq include lack of access for EC companies to public infrastructure projects, including the recent row over the bidding for contracts for Kansai international airport and the relatively low level of Japanese investment in EC manufacturing industry.

The country had invested about $13bn (£7.2bn) in the EC at the latest count two years ago, as against $32bn in the US, highlighting Commission fears that Japan and the US are increasingly looking for bilateral trade deals and corporate strategic alliances with no reference to the Community.

Setback for typewriter companies

By William Dawkins

FIVE Japanese electronic typewriter makers yesterday met a serious legal setback over challenge to the way in which the European Commission calculates anti-dumping duties.

Sir Gordon Slynn, the European Court of Justice's Advocate-General, said in a preliminary opinion that the companies had no grounds to appeal against anti-dumping duties imposed on their imports to the EC in 1985.

The companies are Brother, Sharp, Silver Seiko, Canon and Tokyo Electric, which had tried to argue that the Commission was biased in the way it works out different sales prices in its anti-dumping calculations. The advocate-general's opinion is usually, though not always, a guide to the court's final judgment.

The Commission proposed earlier this week that all the companies, except Brother, should also pay levies on electronic typewriters being put together in the EC, allegedly in an attempt to circumvent duties on assembled imports.

The appeal is the second attempt by Japanese exporters to question changes to the way anti-dumping rules are enforced.

The Commission's calculations, the typewriter companies claim, artificially inflate the Japanese price while pushing down the EC equivalent; an argument which Sir Gordon could not accept.

French win Riyadh contract

BY FINN BARRE IN RIYADH

DUMEZ, the French construction company, has been awarded contracts worth SR314m (£46m) by the Ar-Riyadh Development Authority to renovate the centre of the Saudi capital.

The contract, part of a project worth SR455m is one of the few large construction deals being awarded whena tight rein is being kept on Saudi finances.

Dumez won a SR194m contract to build Qasr al- Hukm "palace of government" which will contain ceremonial offices for King Fahd Ibn Abdulaziz and the offices of his full brother, the governor of Riyadh, Prince Salman bin Abdulaziz.

The second contract, worth SR120m is for new infrastructure for old downtown Riyadh.

The only new large-scale construction taking place in the Kingdom appears to be city centre renovations – the centre of Madinah is also the subject of large-scale government renovation centred on the Prophet's Mosque.

Riyadh's Qasr Al-Hukm project which depends on investment by the Saudi private sector will fundamentally alter the center of Riyadh.

A new government office building, grand mosque, and shopping centre will be built. Parts of city's old walls and a few of its old gates will be reconstructed.

Almost all the existing buildings will be destroyed. When the third phase of the project is begun (the first phase involved construction of a new headquarters for the municipality and the Riyadh governate) most of Riyadh's mud structures will be bulldozed. Only a few important ones will be kept.

Tough measures achieve trade surplus in Denmark

BY HILARY BARNES IN COPENHAGEN

TOUGH MEASURES to restrain consumer demand last year had the desired effect on Denmark's trade balance.

A 1986 deficit of DKr12.9bn ($2bn) became a surplus of DKr1.2bn in 1987, according to the year-end trade figures, published yesterday. Exports increased 1.9 per cent to DKr175.1bn and imports fell 5.9 per cent to DKr173.9bn.

The figures did not satisfy the opposition Social Democratic Party's economic affairs spokesman, Mr Mogens Lykketoft. He said the fact that the improvement was caused by falling imports was a symptom of Denmark's economic crisis, not its solution.

Both imports and exports showed a better performance in the final quarter.

Imports were up 4 per cent to DKr48.4bn and exports 6.9 per cent to DKr47.1bn, including an increase of 8.3 per cent in exports of manufactures.

Agricultural exports last year were down 6 per cent to DKr33.2bn, while exports of manufactures increased 2.1 per cent to DKr118.3bn.

SAS Beijing venture seeks $41.5m facility

THE SAS Grand Hotel Beijing Joint Venture Company is planning a $41.5m loan facility to help finance the project in Peking, Reuter reports from Hong Kong.

The 12-year facility includes a $4.5m standby loan to cover potential cost overruns. Terms were not disclosed.

The facility is jointly arranged by Skandinaviska Enskilda Banken, Den norske Creditbank and Scandinavian Far East.

The borrower, which puts in $9m as equity, is a 50-50 joint venture between state-owned China International Exhibition Centre and Scandinavian interests.

UK drive to invest in Taiwan

By Bob King in Taipei

AN ATTEMPT to attract Taiwanese investment capital into the City of London and promote UK investment in Taiwan has been launched by the British Invisible Exports Council.

A council delegation which held its first promotional seminar in Taipei yesterday is also exploring the possibility of UK investment in Taiwanese equity shares. Currently, foreign companies and individuals are prohibited from buying shares of listed Taiwan companies, other than indirectly through four mutual funds now offered abroad.

The seminar, which attracted representatives from Taiwan's financial, business, and governmental sectors, reflects growing interest in Taiwan as a source of investment capital and as an emerging economic power, said the Earl of Limerick, the council chairman, who headed the British delegation.

This is the first time the UK has mounted such a promotion in Taiwan which last July lifted controls on outward foreign exchange movements.

Although Taiwan's imports from the UK have grown significantly – up one-third last year and by more than 53 per cent during January of this year, year-on-year – they still account for only 1.5 per cent of Taiwan's total imports. "There is room for considerable expansion," Lord Limerick said.

UK NEWS

Nick Bunker looks at a new arrival in the London insurance market

Foot in the door of Fortune's 500

WHEN 20 big US railroads renew their insurance this year, they will turn for help to a small company in the City of London.

It is called Nicholson Chamberlain and Colls, and it started life officially this week as the newest broker in the specialist insurance market that surrounds Lloyd's, the London insurance market.

It is relatively small, and likely to stay that way for the next few years at least. "Bigness is not what we are all about," says Mr Nigel Chamberlain, its 44-year-old joint managing director.

Although the company has budgeted for commission income of more than £10m in its first year, it is only a small fraction of the size of Sedgwick Willis Faber or C.T. Bowring, the London market's leading broking houses.

But its emergence as a new independent Lloyd's broker is significant. "We feel it is a unique set-up," said Mr Martin Nicholson, a 47-year-old aviation reinsurance broker and now Mr Chamberlain's colleague as the new company's other joint managing director.

There are two things about the company which justify that claim. First, it has brought together almost all the leading executives who walked out of Stewart Wrightson, another insurance broker, when it merged with Willis Faber last year. Second, it has the backing of a powerful US insurance broker, Rollins Burdick Hunter (RBH) of Chicago.

Since the turn of the century RBH has used London insurance brokers – principally C.E. Heath – to arrange policies for big US clients, including Fortune 500 companies, public utilities and railroads. But now, for the first time, it is actually taking a stake in a Lloyd's broker.

Aon Corporation, RBH's parent company, has acquired what Mr Chamberlain calls a significant minority shareholding in Nicholson Chamberlain and Colls.

There are nine principal broking executives in the new group, and all of them were Stewart Wrightson brokers, who split away when it became clear to them that the merger with Willis was really a takeover in which the Willis people were determined to have the upper hand.

Chief among the departing executives was Mr Alan Colls – now chairman of Nicholson Chamberlain and Colls – who had headed Stewart Wrightson's main operating company, Stewart Wrightson Ltd.

This kind of thing has happened before in the London insurance broking world – a people business – where attempted mergers and takeovers are often plagued by culture and personality clashes.

When New York-based Marsh & McLennan bought C.T. Bowring in 1980, about 20 Bowring brokers walked out to start their own firms. Several of them – R.K.Carvill, Jenner Fenton Slade, and Ballantyne McKean and Sullivan – are now firmly entrenched in specialist market niches, such as broking energy, industry or US medical malpractice insurance.

Nicholson Chamberlain and Colls is rather different because it has brought together three mature businesses in different fields – and, in the process, already deprived Willis Faber of significant chunks of Wrightson's broking revenue.

At the heart of the new company is Nicholson Stewart-Brown, one of London's top two or three aviation reinsurance broking operations, with 1987 commissioned income of about £5m from 70 to 80 clients. It always functioned separately from Stewart Wrightson as a whole, and has brought all its previous business with it.

Alongside it, however, is now Nicholson Chamberlain and Colls (Aviation), run by the two men, Mr Jonathan Palmer Brown and Mr Peter Butler, who led Stewart Wrightson's aviation team, which had clients including United Airlines of the US.

They have already carried with them 15 major airline clients, which they used to deal with at Stewart Wrightson, and they hope ultimately to bring about half their total accounts, said Mr Chamberlain.

The group's third leg – Nicholson Chamberlain and Colls (North America) – has its best-known accounts. For 20 years, Mr Chamberlain was with C.E. Heath, where he had close ties to RBH in Chicago, and a range of other American brokers which need to use Lloyd's of London.

However, he and his two colleagues from Heath, Mr Graham Addiscott and Mr Tony Fell – an expert on US railroads – left Heath 18 months ago to join Stewart Wrightson out of frustration with the weak management which ran Heath before it merged in late 1986 with another Lloyd's broker, Fielding Insurance.

As a result, Nicholson Chamberlain and Colls now has one of the London insurance market's biggest books of prime North American property/casualty insurance accounts – of which the biggest, perhaps, are LTV, the iron and steel conglomerate, and Conrail, the New York-Connecticut commuter railroad.

Land Rover peace effort fails

By Richard Tomkins

AN ATTEMPT by rebel strikers to lead a return to work at the Land Rover plant in Birmingham ended in disarray yesterday when fewer than 400 of the 6,000 production workers turned up at an anti-strike meeting.

Local union leaders were quietly delighted by the outcome and saw it as a vindication of their view that support for the pay strike, now in its third week, remains solid.

The meeting, held in a local park, had been prompted by a call to a local radio station this week suggesting that a group of organisers were expecting a big turn-out for the back-to-work rally. In the event nobody emerged to address the meeting.

Strikers arriving at the meeting at a local park attributed the low turn-out to fears of reprisals from union supporters. Most of those present seemed to have opposed industrial action from the outset, but some were more recent converts to the idea of returning to work.

In the spontaneous discussion that evolved after the crowd had milled about for an hour, a core of about 50 people supported a suggestion that the union should organise a mass meeting of workers, failing which there should be a return to work on Monday.

● The Rover Group, which includes the volume car operations, will today announce its first operating profit since 1983 and only its second since 1978.

This gives added stimulus to the British Aerospace plan to take over Rover.

BA likely to ban smoking on selected short-haul flights

BY MICHAEL DONNE, AEROSPACE CORRESPONDENT

BRITISH AIRWAYS may introduce a limited number of no-smoking flights on some of its short-haul routes as an experiment later this year.

This follows increasing pressure for bans on smoking tobacco aboard aircraft, both as a direct safety measure and to reduce discomfort for non-smoking passengers who find tobacco smoke offensive and even damaging to their health.

The experiment, which was announced on National No Smoking Day in Britain, will be limited to a few, well-publicised short-haul domestic and European flights. Long-haul flights are not expected to be involved.

The BA plan follows the decision by Air UK, one of the major UK independent airlines, to ban smoking on all its flights, in response to pressure from travellers.

Other airlines will be watching the Air UK decision closely to see if it receives the approval of most of its passengers.

If the BA experiment produces clear results, it could result in many more BA flights being designated no smoking.

For the moment, most other airlines will continue to offer passengers the choice of seats in either a smoking or non-smoking area of their aircraft.

However, many carriers have experienced a growing demand over the past few years for their "no-smoking" sections to be extended, as more passengers seek to avoid tobacco smoke. Because of the difficulty in dividing the cabins between smokers and non-smokers, complaints from the latter have been increasing.

As a result, smoking sections have tended to be relegated to the rear of passenger cabins.

Junior Health Minister Edwina Currie and Ladbrokes director Ron Pollard celebrating the UK's first smoke-free betting shop

Britannia, the UK's second largest operator, has also discovered from its own research that cabin air-conditioning systems can become fouled by tar products from tobacco smoke. This severely restricts the amount of clean air they can re-circulate, thereby affecting non-smokers.

Air UK's argument for implementing no-smoking flights is that passengers ought to be able to refrain from smoking for the short duration of short-haul flights, which often take one hour or less.

It also argues that smoking is not permitted in theatres and some other places of entertainment, and on London Underground trains, a situation that is accepted by the public.

Nevertheless, there are some powerful lobbies in favour of continued smoking on aircraft, such as "Forest" – Freedom of Right to Enjoy Smoking Tobacco – which argues that smoking for some people is enjoyable, and that it can calm the nerves of otherwise nervous passengers.

As a result, there could be a formidable fight this summer between the "for" and "against" lobbies, with the airlines caught in the middle.

Financier given jail term

BY RAYMOND HUGHES, LAW COURTS CORRESPONDENT

MR JIM RAPER, the UK financier, was yesterday given the maximum available sentence of two years in jail for what a High Court judge called "one of the most deliberate and serious" contempts of court that could be imagined.

Mr Douglas Allen, described by the judge as "Mr Raper's sidekick," was sentenced to six months' imprisonment for contempt.

Sir Nicolas Browne-Wilkinson, the Vice-Chancellor and senior judge of the High Court Chancery Division, said that it was probable that his committal order against Mr Raper would never be executed as he was out of the country, and likely to stay there. The court had no power to have him extradited for contempt.

Mr Raper, the judge said, had apparently defrauded a large number of small investors and treated with disdain both the City of London and the court.

"It seems to me likely to harm the reputation of both the City and the court if it proves that nothing can be done to bring him to justice," Sir Nicolas said.

"I shall therefore direct that a copy of this judgment be sent to the Director of Public Prosecutions for him to reconsider whether any criminal charges can properly be formulated against Mr Raper, leading to his possible extradition."

Neither Mr Raper nor Mr Allen appeared at the court hearing and their lawyers said that their whereabouts were unknown. The court was told that Mr Allen had a flat in Gower Street in London.

The contempt case had been brought by the liquidators of Savings & Investment Bank, an Isle of Man bank.

They alleged that Mr Raper and Mr Allen aided and abetted the transfer abroad of £2.6m of the assets of Saint Piran – part of Mr Raper's Gasco group – and its subsidiaries. About £1.33m has not been recovered.

The assets were said to have been transferred in the second half of 1985 to three companies: Berriedale Investments, of Hong Kong, said to be the ultimate holding company of Mr Raper's Gasco group; Crinkleleaf, described by Sir Nicolas as "a fly-by-night Dutch Antilles company;" and Caravela Maritime, a Swiss company.

The transfers breached Saint Piran's undertaking to the High Court in 1984 not to reduce its own and its subsidiaries' UK assets below £7m.

Twelve allegations of contempt were made against the two men. Sir Nicolas found eight proved against Mr Raper and three against Mr Allen.

The evidence against them, he said, was unshakeable. There had been a conscious, deliberate attempt to defraud Saint Piran's creditors and to remove the assets in breach of the undertaking.

UK NEWS

Single union row threatens Ford's Scottish project

BY CHARLES LEADBEATER, LABOUR CORRESPONDENT

FORD OF America has told the Trades Union Congress it will cancel a plan to build a £40m plant at Dundee, Scotland, unless the TUC settles a row over union recognition within the next month.

The company also made clear that its controversial single union deal with the AEU engineering union, was vital if the plant was to go ahead. Union leaders said this was a clear signal that the TUC would endanger the plant if it instructed the AEU to withdraw from the agreement. The venture will create 450 jobs.

The company agreement is opposed by most other car industry unions, which would be excluded from collective bargaining at the plant. It would supply advanced electronic engine control modules to Ford assembly plants throughout Europe.

Senior managers of Ford's Electrical and Electronics Division told Mr Norman Willis, the TUC's General Secretary, at a meeting in Detroit on Tuesday, that the company did not object to the dispute being processed through an official TUC disputes committee.

Such official inquiries can take more than a year to conclude, but Ford insisted that the dispute had to be settled within a month or the project would be cancelled.

The company told Mr Willis it would not operate a non-union plant. It rejected a TUC proposal that the unions should be allowed to settle their differences while the plant was being built over the next two years. Ford also said it would not accept an arrangement in which several unions would have members, but would bargain through a single works council.

The other main car industry unions, the Transport and General Workers Union; MSF, the general technical union that represents white-collar staff; and the GMB, general union; lodged an official complaint against the AEU last year.

The AEU believes the agreement should stand as the new plant would be a greenfield site, controlled directly from the US by EED rather than through Ford of Britain, which has established multi-union bargaining.

The other unions' positions may be strengthened by the AEU's admission in talks before Christmas that it was technically in breach of the TUC's procedures because it had not notified the other unions of its intention to sign the deal.

Yorkshire TV chief to return to BBC

BY RAYMOND SNODDY

ONE OF the leading figures in British commercial television, Mr Paul Fox, managing director of Yorkshire Television, is to return to the BBC after 15 years. He will become managing director of BBC network television.

The news, which shocked the broadcasting industry, was greeted with sadness at Yorkshire and delight at the Corporation, where Mr Fox will take over from Mr Bill Cotton who retires in April.

The appointment is the latest in the game of musical chairs at the top of the industry. Late last year Mr Fox was instrumental in persuading Mr Michael Grade against taking over as managing director of television, advising him instead to go to the chief executive's chair at Channel 4.

Mr Fox, who will be 63 in October, past the normal BBC retirement age of 60, said yesterday: "There is a job to be done at the BBC now and in the months ahead. I am here for a limited period of three years and one of my jobs is certainly to bring on a successor from within the BBC."

Mr Michael Checkland, the BBC director general who first began informal conversations with Mr Fox on the issue about three weeks ago, said yesterday he was delighted to welcome back to the BBC "one of the television industry's most outstanding talents."

Many will see Mr Fox as a balancing influence on the controversial deputy director general Mr John Birt.

Mr Fox said yesterday he had no doubt he could work with Mr Birt, who has stirred up considerable opposition within the Corporation over the way he is implementing the unification of the news and current affairs departments and for his views on the future of BBC journalism.

New negotiations loom in Scottish coal station row

BY PETER RIDDELL AND MAURICE SAMUELSON

BOTH SIDES in the row over Scotland's power station coal yesterday moved towards new negotiations following last week's court clash in Edinburgh over a threatened switch to imports on April 1 which could have spelled imminent closure for most of the Scottish coal industry.

The change of mood was warmly welcomed by ministers, anxious that the row was fuelling bad publicity for the privatisation of the electricity industry on both sides of the Scottish border.

It led to Monday night's stormy scenes in the House of Commons when Scottish Secretary Mr Malcolm Rifkind came under heavy fire from Opposition Scottish MPs, who accused him of indifference to the threat of several thousand redundancies.

In Whitehall yesterday, hopes of a deal rose following a meeting between Mr Cecil Parkinson, Energy Secretary, Mr Ian Lang, the Scottish Industry Minister, and members of the Scottish Labour Party, the Scottish TUC, and National Union of Miners.

In a statement, the ministers pointed out that a good deal was in the best interests of both industry and consumers. They reaffirmed the importance the Government attached to the two parties being left to negotiate a commercial arrangement.

Mr Donald Dewar, Labour's Shadow Scottish Secretary, said he was more hopeful and that Mr Parkinson had been sympathetic. Mr Dewar referred in particular to a reference by the SSEB to paying a premium for long term security of supply.

The improved mood was reflected in a flurry of new exchanges between the two state-owned industries.

British Coal yesterday welcomed Tuesday's call by the SSEB for further talks on coal supply and price arrangements.

Market cannot solve job crisis, says Heseltine

BY MICHAEL CASSELL, POLITICAL CORRESPONDENT

THE GOVERNMENT should not rely on the market to establish jobs at the speed or on the scale Britain's unemployment crisis demands, Mr Michael Heseltine, the former Tory cabinet minister warned last night.

Mr Heseltine, who was addressing the Employment Institute at Westminster, said that although unemployment was now falling, an enormous task still lay ahead if the number of jobless was to be reduced substantially further.

He emphasised that the most optimistic forecasts suggested that it could take up to 10 years to reduce unemployment to the levels recorded in the late 1970s, while there were alternative suggestions that the fall in the number of jobless could halt this year.

He added: "We should not place our heads in the sand, like so many ostriches, preferring to stress the relatively small improvements in order to divert the emphasis from the relatively much larger problem that remains."

Mr Heseltine said he was a staunch supporter of a competitive, capitalist environment but that the market, unaided, could not be left to resolve an unemployment crisis which represented an "intolerable human waste" and which was costing the nation around £6bn a year in benefit payments.

He claimed, however, that alongside the obligation of society to concern itself with the unemployed there was now a growing determination to "look beyond the simple insurance provision of state benefit".

The Government was providing a growing number of training, educational and work experience programmes, but it was properly not content simply to hand over the money in a way which perpetuated, rather than helped solve, the problem.

Mr Heseltine called for an examination of the "workfare" programmes operated in Sweden and the US, which obliges welfare recipients to work for their benefits.

Outlining the principles of a "community benefit" programme, which linked employment to unemployment benefit, he said the Government should publish a costed projection of continuing to finance large-scale unemployment under present arrangements, comparing it with a more ambitious range of state-provided work or training.

The City's Securities and Investment Board chief prepares to bow out

History rewritten with a vengeance

TO SUGGEST Parliament spent months labouring over the Financial Services Act simply to deal with the occasional fraud like Norton Warburg was rewriting history with a vengeance, said Sir Kenneth Berrill last night.

He was making his first public statement since the Government said it would not renew his contract as chairman of the Securities and Investments Board.

He was criticising, among others, sections of the press.

Sir Kenneth was addressing the Lombard Association in a speech called Investor Protection - a Sledgehammer to Crack a Nut?

He said: "The legislation seeks not just to penalise misdemeanours but to codify best practice, and the law must apply to everyone."

The board was "very much not the creature of one person."

Sir Kenneth steps down at the end of May. His successor will be Mr David Walker, an executive director of the Bank of England.

He said the board itself was largely composed of practitioners. SIB staff included many experienced and knowledgeable members from all areas of the financial services industry.

Further, the industry itself was directly and extensively consulted at all stages of the drafting of the board's rules.

Sir Kenneth said he spoke for the board and its staff as well as himself: "We take responsibility for the SIB rule-book and for all the imperfections which must inevitably arise in the first application of such a new and wide-ranging regime.

"It is, nevertheless, one in which I believe we can all take a great deal of pride."

Sir Kenneth has been criticised for producing an excessively bureaucratic and legalistic regulatory system.

He referred to detailed requirements laid down by the Financial Services Act 1976, by which the board was empowered.

He said: "A substantial amount of our rule-book was, therefore, willed by ministers and ordained by Parliament.

"I make no complaint about that. But let nobody be under any illusion that the areas covered in the rule-book are SIB's invention or personal to its first chairman."

He said there was a significant difference between, on the one hand, flexibility and willingness to revise with experience, and, on the other, weakness and retreat from basic objectives.

"Consideration of administrative convenience or commercial imperatives to clinch a customer should not be allowed to override desirable investor-protection arguments," he said.

It was not profitable to spend long discussing if the regulatory system was too complex or could be improved.

He said: "It is there, will require primary legislation to change it and is, therefore, likely to be unaltered in its essential features for most, if not all, of the four years for which my successor has been appointed.

"Experience so far suggests that the Secretary of State, for very understandable reasons, will be reluctant to change dramatically the careful balance which was so painstakingly created as the act went through Parliament."

"I am sure that this Government has the clearest possible commitment to effective investor-protection."

Sir Kenneth Berrill in the City

Tories deny 'gulf' over approach to educational reforms

BY PETER RIDDELL, POLITICAL EDITOR

MRS MARGARET THATCHER, Prime Minister, has privately described as "disturbing" a recent report on the assessment and testing of children which has been broadly welcomed by Mr Kenneth Baker, the Education Secretary.

A letter from one of Mrs Thatcher's private secretaries to Mr Baker's private office has been leaked and was yesterday published by Mr Jack Straw, Labour's education spokesman, who claimed that it showed a "major gulf" between the two ministers.

Mrs Thatcher's office is to start an inquiry into the leak. Government officials were yesterday quick to claim that the contents did not represent a clash between the Prime Minister and Mr Baker, but were the normal sort of ministerial interchange and reflected differences of degree, given her preference for a simple system of national tests.

The disclosure of the letter is embarassing to the Government since it highlights differences of emphasis in the approach to educational reform and the assessment and testing of children. Mrs Thatcher and her Downing Street advisers support uniform tests which would permit league tables of performance to allow parents to choose between schools.

However, Mr Baker in January broadly welcomed a report of a task group under Professor Paul Black which recommended a system of national assessment at ages seven, 11, 14 and 16, taking account of differences in ability and maturity and recognising the sensitivities of publishing information about the results of assessment.

Mr Straw says ministers' support for disagnostic testing makes league tables very difficult and runs counter to Mrs Thatcher's free market approach.

In a letter on January 21 to Mr Baker's private office, Mr Paul Gray, Mrs Thatcher's private secretary on home affairs, says that, while she agreed to his welcome for the task group report, "there are a number of aspects which she finds disturbing."

In particular, she questions the necessity of the proposed "enormously elaborate and complex system", some of which is included in the current education reform bill.

She also notes that the method of assessment places "a heavy responsibility on teachers' judgments and general impressions" and is concerned to note "the major role envisaged for the local education authorities in the implementation of the system."

UK NEWS

Labour force to gain almost 1m workers by 1995

BY RALPH ATKINS

AN EXTRA 900,000 men and women will join Britain's labour force in the next seven years, says a study in the Employment Gazette published yesterday.

The labour force is estimated to have totalled 27.2m in 1987, including those aged 16 or over who were either in paid work or actively seeking it. It is forecast to rise to 28.1m by 1995.

The estimate for last year is higher than previous official forecasts. This is mainly because falling unemployment has encouraged more people to look for work, says the Gazette, the official journal of the Department of Employment.

Most of the increase up to 1995 is likely to be in the female labour force – which is forecast to rise by 800,000 to 12.3m. Women's share of the labour market rose from 37 per cent in 1971 to 42 per cent in 1987 and is expected to reach 44 per cent in 1995.

By the middle of the next decade, young people are expected to make up a smaller share of the labour market, with the under-25-year-old numbers projected to fall by 1.2m to 5m.

Most of the fall is explained by the declining population of this age group, as those born in the 1960s baby boom move into older categories. However, out of the *total* number of young people in Britain, the proportion entering the labour market is likely to rise.

Activity rates in most female age groups are expected to increase by 1995. Among men, however, activity rates are generally expected to fall. This trend is especially marked in the over-55 age group.

The projections assume that unemployment will remain at about its December level of 2.5m. However, the Gazette points out that the size of the labour force is sensitive to unemployment levels.

As a rule, it says, a fall of 100,000 in the number claiming unemployment benefit will increase the male labour force by about 20,000 and the female labour force by 30,000. If unemployment is falling, people who would otherwise not register as actively seeking work are encouraged to enter the labour market.

The Gazette says that if unemployment fell to 2m this year, the size of the labour force would rise to 28.3m by 1995. An increase in unemployment to 3m would lead to the labour force shrinking to 27.8m.

Warning on public sector pay growth

BY OUR LABOUR EDITOR

PAY PRESSURE on employers in the public sector looks likely to increase this year, with public service employers in the south east of England facing severe recruitment and retention problems, according to a new analysis of public sector pay trends and prospects.

The study, by the Incomes Data Services research company in conjunction with KPMG Peat Marwick Mitchell and the Public Finance Foundation, forecasts a growth in average earnings during 1988 of about 8 per cent, and pay settlements continuing in their current range of 4-7 per cent.

It says: "The pay pressure in the private sector suggests that some companies could be in for some tough negotiations this year, with employees demanding their share of record profits. This points to increasing pressure on public sector employers during 1988." The study suggests this will be particularly strong in the National Health Service.

Problems in the public sector of recruitment and retention, especially in the south east, have been growing, it says, with particular difficulties among key staff such as accountants, computer staff, architects and valuers – but also such staff as typists, secretaries and skilled craft workers.

The study says that the "fundamental problem" for public services in the area is that they are recruiting in competition with a large concentration of financial institutions employing similar types of labour.

Public Sector Pay - Review of 1987, Prospects for 1988. IDS Public Sector Unit, IDS, 193 St John Street, London EC1V 4LS. £25.

Credit advertisements to carry consumer warnings

BY PHILIP RAWSTORNE

GOVERNMENT plans to deal with misleading credit advertising and excessive fees charged by brokers were announced yesterday by Mr Francis Maude, Corporate Affairs Minister.

He told the Institute of Credit Management: "My intention is to make sure these advertisements are as simple as possible, so that consumers clearly understand the consequences of entering into a credit agreement. Businesses will also benefit from these changes because they will be given clear guidelines on what they can and cannot do."

Mr Maude said that advertisements for loans secured on someone's home would, in future, have to display a clear warning that the home would be at risk if repayments were not made on the loan.

He said he wanted to see the changes in force by the end of the year and would issue a consultation document shortly.

"I shall also be looking closely at brokers' fees," Mr Maude added. "I have been astonished to learn that some brokers have been charging absurdly high arrangement fees – as much as £2,000 on a loan of £15,000.

"This is clearly taking advantage of consumers who may not even be aware of the fee until the agreement is signed, by which time it is too late."

Mr Maude said he was reviewing consumer credit documentation as well – "and I believe that radical reforms may be necessary."

He added: "It seems to me that the cause of consumer protection is not advanced by providing consumers with a welter of forms when they enter into a credit agreement. We should aim to provide the consumer with better information, but less."

UK in line for Far Eastern computer plant

By David Thomas

ACER, a Taiwanese computer company, is considering the UK as the site for its first European manufacturing and research and development operation. West Germany is also in the running.

The company, which last year reported net income of £7.6m on sales of £173m, is also launching a drive to sell much more of its equipment in the UK.

Acer, founded in 1976, makes personal computers, data communications products, computer peripherals and integrated circuits. Many of its products are sold under the badges of other companies.

It is about to launch a semiconductor set designed to allow companies to make machines compatible with the latest IBM personal computers.

Last year, 26.5 per cent of its revenue came from Europe, 34 per cent from North America and 39.5 per cent from the rest of the world.

Its biggest European market is West Germany, but yesterday Mr Stan Shih, Acer chairman, launched a UK marketing subsidiary in a drive to boost sales in Britain, both to other companies and under its own label.

Roadchef starts second worker shares scheme

By Philip Bassett

ROADCHEF, the motorway service area operator, is becoming the first British company to introduce a second US-style employee share ownership plan (Esop).

The company, which set up the first Esop in Britain a year ago, says that the scheme – which has received cross-party political support, and which the Government has urged other companies to emulate – has led to greater interest in the company's success among its 800 employees, more than one-third of whom are now Roadchef shareholders.

Since Roadchef's establishment of an Esop – an employee benefit trust which acquires new or existing shares in the company, linked with a profit-sharing trust – about six have been set up in the UK.

In the first Roadchef Esop, the Roadchef employee benefit trust acquired 12 per cent of the company's stock on behalf of the employees.

The second Esop, announced today, will take that stake to 27 per cent, buying 400,000 shares from existing shareholders, by means of a £960,000 loan funded by Unity Trust Bank, the unions' financial institution, the Co-operative Bank and the GMB general union.

MANAGEMENT: Marketing and Advertising

Colgate-Palmolive

How partnership put paid to 'primeval' advertising

The US group changed its agency relationship – and its style. Philip Rawstorne reports

"IT IS advertising that drives our worldwide consumer business," says Reuben Mark, chairman, president and chief executive of Colgate-Palmolive, the US toiletries, soaps and health care group.

That said, though, Colgate has a problem. Its two competitors, the Anglo/Dutch giant, Unilever, and the US group, Procter & Gamble, have more money to pour into advertising than it can afford. Colgate's annual sales of $5.65bn compare with Unilever's sales of $30bn, and P & G's $17bn.

Even after Mark increased the 1987 advertising budget to $370m, Colgate still lagged far behind. P & G spent $377.5m on television advertising in the US alone; and Unilever, according to the US weekly, Advertising Age, spent $212m in similar fashion.

Mark decided, when he took over five years ago, that the best way to offset such disadvantages was to change strategy. What Colgate lacked in quantity of advertising, it should try to make up in quality.

First he concentrated the group's advertising business in three agencies – Ted Bates; Foote Cone & Belding (FCB); and Young & Rubicam. Eight agencies had previously shared the work internationally.

In the summer of 1986, Colgate reduced its agencies to two, withdrawing its account from Ted Bates as that agency merged with Saatchi & Saatchi, Procter & Gamble's agency.

Len Sugarman, chairman of FCB in Britain, was creative director in New York when the agency won its share of the Colgate account. "It was our first major business in that sector," he recalls. "We were very much the new boys on the block."

But Sugarman welcomed Mark's demands for a change of advertising style. "There seemed to be plenty of scope for improvement," he says. "Detergent advertising was primeval. It was dull and stereotyped, usually featuring two women in a kitchen. But while housewives were getting younger and younger, the advertising made no attempt to appeal to them emotionally as advertisements for food and clothes were doing. It was uninvolved."

Mark, who joined Colgate as a marketing executive in 1983, formed a "partnership" with each of the two advertising agencies, in line with a general management philosophy that also brought "partnerships" with Colgate's suppliers, workforce and a few other soap and toiletries companies.

"The conventional agency-client relationship assumes that fear is a better motivator than love. With us, the agencies' contracts are not on the line for everything they do," he says.

But Mark did not just leave it there. Sugarman says admiringly: "He set out on a world tour, spreading his philosophy among the group's offices to ensure that Colgate executives everywhere made the partnership work. He told his people that advertising was the key to their success – and he set out 10 steps for them to follow to achieve the best."

Mark demanded mutual trust and respect between Colgate and FCB executives. He called for a simple and clear strategy; streamlined approval procedures to avoid frustration and the debilitation of ideas; and imparted a sense of adventure.

"Don't settle for the safe or ordinary," he urged his executives. "You must be a little afraid, a little worried, a little nervous of the idea."

Sugarman says: "It was a real breath of fresh air." It dispelled some initial reluctance among FCB's New York staff to work on the account. FCB responded with its own prescription for a creative partnership.

"A joint team in New York co-ordinated the advertising worldwide," says Sugarman. "But the different regions were given freedom to do their own thing. There was no attempt to create a global advertising campaign from one central office. That does not work. All you get that way is a bland message that will not offend anyone – but it will not stir anyone either." A successful campaign in one region, however, could and would be picked up and adapted for use elsewhere in the world.

"New Sensation" television commercials for Palmolive soap, featuring beautiful women in romantic settings with trendy background music, and created by FCB for the Central American market, started such a sales boom in the region that they were quickly repeated in 30 countries in other parts of the world.

Young & Rubicam, Colgate's second agency partner, had a similar success with a television commercial produced for the launch of Colgate Tartar Control toothpaste in the UK in 1986. Using fantasy film techniques, the commercial showed construction workers building a wall of tartar around 17ft high teeth. Before it is completed, the wall is knocked down by a gigantic toothbrush loaded with the new toothpaste, and then wall and workers are washed away leaving the teeth bright and clean.

The entertaining advertisement, using different soundtracks in nine other languages, has since been seen in 18 different countries, and was voted one of the year's 16 best commercials in the US. It has helped to establish the brand as the world's best-selling tartar control dentifrice.

Over the range of Colgate products – from Ajax cleaner, Fab and ABC detergents, Irish Spring soap, Gard hairspray, to Ultra Brite toothpaste – the new advertising not only reflected the success of the partnerships, claims Sugarman, it stimulated similar changes of style in the marketing of competitor products. Stodgy campaigns built around demonstration tests and testimonials have everywhere been giving way to livelier packages making emotional appeals to younger customers.

A dozen advertising agencies on Procter & Gamble's roster have been told to shape up and deliver more creative copy or be taken off the account, Advertising Age has reported.

Mark has been pleased with the progress – but not satisfied. Eighteen months into the partnership, he strengthened the company-agency ties – renewed regionally and globally at two or three meetings a year – by hiring another advertising man, Clay Timon, a senior account executive at Doyle Dane Bernbach, to promote the new philosophy constantly and keep the partnership running smoothly worldwide. "He oils the wheels of change," says Sugarman.

Mark also decided that, to maintain the marketing momentum, key people working on Colgate's brands at both FCB and Young & Rubicam should be given tangible evidence of the company's regard for them and their contribution to its achievements.

Some 15-20 employees of each of the two agencies, working mainly but not exclusively on the company's account, have now been given Colgate stock. "The amounts are not huge," says Sugarman. "But the move has demonstrated that Colgate really values the agency people and it has given them further motivation. They now look at the company as shareholders, with an added dimension of interest. It has put the seal on the partnership."

A kilted Scotsman in one of the more recent Ajax floor cleaner ads is a far cry from the traditional "housewife"

Herbert Johnson gets ahead

IT WAS IN the London of the late 1880s that an apprentice hatter named Herbert Johnson worked on a hat for the Prince of Wales. The Prince, later King Edward VII, was so impressed with the young hatter's work that he advised him to set up in business on his own.

Herbert Johnson took his advice. Today, his business still makes hats and, as part of John Crowther Group, the large textiles concern, is on the brink of an ambitious expansion programme.

Under Crowther's ownership, Herbert Johnson will move to Bond Street – where a new shop, only a few doors away from its original premises, will open in May – and will broaden the base of its business by adding new products to its hats.

"The name of Herbert Johnson is synonymous with British tradition," says Robin Benson, who has been managing director of the company for the past four years. "We feel we can make more of the name by moving into new areas."

When the Crowther group bought Herbert Johnson in June, the core of the business was its Old Burlington Street shop, selling men's and women's hats.

It also made military hats for the British army and ran a wholesale business exporting hats.

The aim of the present expansion programme is to make the most of the cachet of the Herbert Johnson name. Crowther intends to invest about £750,000 to do so.

Once the new Bond Street shop is established, the company plans to open more shops – both in Britain and abroad – and to develop a network of shops-within-shops.

It also intends to introduce a new collection of accessories such as ties, socks and leather goods and to expand a small outerwear collection recently unveiled for export.

The challenge for Herbert Johnson will be to broaden the base of its business without jeopardising the heritage and tradition on which it has been built. Benson says that great care will be taken to ensure that everything is in keeping with the old ethos of the company.

"There is and has always been an old fashioned feel to the business," he says. "All our new projects will reflect that."

Alice Rawsthorn

Today Lord Young, the UK trade minister, flies to Tokyo with a top level group of British industrialists to seek export opportunities. Carla Rapoport reports on what products the Japanese currently favour

A welcome for roses, avocado and lavender

IN A CROWDED, shabby office block in Tokyo's Shinjuku district is an office which smells of roses, avocado and lavender.

Century Trading, a tiny Japanese importer, is bursting at the seams with cartons of soaps, bath oils and cookies from Crabtree & Evelyn, the UK food and toiletries company. Japan may be a notoriously difficult market for foreign goods, but these soaps and biscuits are going out of the door as fast as they arrive.

Crabtree & Evelyn's sales in Japan jumped by 50 per cent last year and are expected to double this year to a total of at least Y1bn ($7.8m).

Century Trading, the UK company's agents in Japan, could not be happier. Crabtree products are currently the fastest growing segment of its business.

But the owner and founder of Century, the voluble Yoichi Yoda, is not entirely happy with the rest of British industry. "You know Bond Street in London? I'd like to import everything from there and sell it here. . . cashmere, jewellery. . . everything," he says, his eyes lighting up.

"But English companies are not trying hard to sell their products here. Just Prime Minister Thatcher and now this Lord Young, they make a lot of noise. But no English companies, for example, can speak any Japanese. They still concentrate on their old colonies for exporting," he says.

Lighting up a Japanese cigarette, Yoda continues: "They don't come to Japan. I go to England six times a year, but these English companies, they never come here," he says.

With a red silk hankerchief tucked into the pocket of a grey sports jacket, Yoda is far from the typical Japanese businessman and that is exactly the image he wants to project. He dearly wants to make money by selling foreign products in Japan, and not just soap and cookies.

Century Trading, founded by Yoda 15 years ago, imports only European products, ranging from Findlaters Scotch whisky to Tetley tea. European products tend to do better in Japan, he says, because the packaging and design in Europe is of a higher quality than in the US.

This is particularly the case with Crabtree & Evelyn products, he says. "Japanese people are very interested in English and French goods, for example. We are always looking for high quality products from the UK to sell here." But he needs the co-operation and interest of the UK manufacturer to make a success of import ventures.

The top executives of Crabtree & Evelyn, he says, make two trips to Japan a year. "They are aware of Japanese tastes; they study what is popular here," he says.

Despite the strong appreciation of the yen against the pound, Century has not reduced the prices of the Crabtree & Evelyn products significantly over the last two years. As a result, one of C & E's best-selling products in Japan, its 100 gram bar of avocado soap sells for Y800 (£3.50) in Japan, compared with £1.65 in London.

The benefit of the strong yen, in the form of fattened profit margins, goes to the agent until C & E decide to set-up a joint venture or its own sales office in Japan.

But Yoda swiftly points out that it is his money which will be used to establish the new Crabtree & Evelyn shop in Tokyo and the boutiques in several department stores he plans to open over the next few years.

"In the future, we'd like to set up a joint venture, but such a deal will require a lot more study," says Yoda. In the meantime, he is interested in boosting UK imports through his agency business.

Specifically, he is looking for companies selling hobby products, miniatures, such as china figurines, lace and lace goods and fancy tablecloths.

And he has a message for all those people with shops on Bond Street. "Please come to Japan."

Company Notices

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[illegible]

Taka-Q Co., Ltd.
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Imperial's ideas men show they mean business

David Fishlock examines the college's new philosophy on technology transfer

"I TELL people that if there is one thing I've done for Imperial College, it is to recruit David Thomas," says Professor Eric Ash, rector of the Imperial College of Science and Technology, London, and president of the Institution of Electrical Engineers.

Thomas is no high-flying young academic on course for his first Nobel prize, however. He is the director of industrial liaison, responsible for expediting the transfer of technology from the college's 600 academic staff into industry and commerce. The rector recruited him in 1986 from the UK Government's Alvey Programme, where as a programme manager Thomas was negotiating research contracts with Imperial College – Alvey's biggest academic contractor, with 38 contracts.

Imperial College in South Kensington boasts three Nobel laureates, 46 Fellows of the Royal Society, and 24 Fellows of the Fellowship of Engineering. Ash says the college is 50 per cent privately funded and this portion of its income is growing by 2 per cent a year.

Within the college Thomas candidly admits his was not a particularly popular appointment. His office next door to the rector gives him access to the "chief executive" that no department head enjoys. His role is to chivvy the academics into bringing more "private" business – and more profitable kinds of business – into the college.

He asks questions about their consultancies (the rector's view is that they are free to consult provided they put in a five-day week for the college). Worse still, Thomas is questioning some of their most cherished beliefs.

He has also embarked upon a "technological audit" of the entire college, in an attempt to catalogue academic ideas, inventions and capabilities. He sees this as an everlasting task, "like painting the Forth Bridge." His aim is to build a portfolio for a company the college set up shortly after he arrived.

Imperial Exploitation Ltd (Impel), launched in January last year, is Imperial College's answer to the British Technology Group (BTG), the Government's agency for technology transfer. Impel takes advantage of the new-found freedom of government-funded scientists to bypass BTG and manage exploitation themselves. Impel already has a portfolio of 120 college patents.

It has three shareholders: the college, with the controlling 51 per cent; Investors in Industry (3i), 44 per cent; and Research Corporation, 5 per cent. Its catchment is a college which brought in research grants and contracts worth more than £20m last year.

Thomas divides his time between the roles of industrial liaison and running Impel (a two-man business with Paul Docx as company secretary). In the former of these roles he was soon telling his rector the college was losing money on its research contracts. More contracts would simply mean bigger losses.

He is convinced the problem is rooted in the traditional dual-support system for financing university research in Britain, and specifically in the role of the University Grants Committee (UGC) and its long-standing recommendation that universities should charge clients a 40 per cent overhead on the cost of research done under contract.

The figure is unrelated to the real costs of doing research, says Thomas. It derives from the days when the UGC financed the infrastructure for university research and the research councils provided contracts which covered the marginal costs.

"This had the most damaging result that no-one in a university ever costed anything fully, only marginally," Thomas contends. With the passage of time, a dwindling infrastructure is being required to support more and more kinds of contract. Nowadays, in addition to research council contracts, the college undertakes work for government departments, directed programmes like Alvey, the European Community, research charities, and industry.

British universities are doing research for some contractors at half the real cost, he says. In respect of government research done by the universities, the Department of Education and Science has effectively been subsidising other parts of Whitehall to the tune of tens of millions of pounds.

But Imperial College academics do not readily accept Thomas's contention that they must charge more if the college is not to go broke. They want to do the research. They are worried about losing it to someone less fastidious about the figures. One Nobel prize winner told Thomas that if he were to charge more, Shell, the oil company, would no longer want his science.

The academics cite the case of ICI which, last year, when asked to give the universities more to cover the shortfall in overheads supposedly covered by the University Grants Committee, not only said no but ceased to provide even the amount of money it had previously donated.

The dual-support system in which half the national science budget comes through the research councils and half from the UGC is defended as the mainstay of academic freedom. The UGC money is cash for which researchers do not have to account to a contractor.

But Thomas tells them academic freedom is already mostly a myth. He believes they have already lost it by becoming so beholden to the contractors. As a former research scientist himself, he earnestly wants them to regain their freedom "to do the odd things."

He believes that with the research councils being encouraged by government policy to concentrate on national and strategic objectives, it is all the more vital to cultivate speculative research in the universities. But that freedom can flourish only if founded on the financial discipline of knowing what the research really costs, he says.

Through Impel, Thomas and Docx also negotiate a stake for the college in the intellectual property rights of any research contract. Previously, British companies have usually said no to such rights when partnered by academics - they were willing to concede a share to the college, but at their discretion and not as a right. If companies insist on this, then they must pay 100 per cent of the college's costs, Thomas tells them.

Impel is an "enabling company", says Paul Docx. The rector – "no committee man" – has given it considerable licence to get the best deal for the college and staff. This may be a valuable quid pro quo instead of cash – for example, with the Chinese, who have no money but are giving the college an entrée into Chinese bioscience by getting its help to set up a biotechnology plant.

Docx is bringing market research to bear on areas where the college might profitably increase its earnings, such as consultancy, where it enjoys a high reputation. He finds, for example, that City of London solicitors offer a market worth between £4m and £8m a year for expert witnesses in patent disputes.

The academics complain "lawyers never pay up." If so, then Impel will harass the lawyers for a fee to cover the witness's costs.

Should British universities simply agree on a new and bigger percentage to charge for overheads? No, says Thomas, it would simply perpetuate some of the present problems. Each researcher must understand what his work really costs, and the value of his personal skills and reputation. He must learn to charge what the market will bear. And Impel is there to help him.

David Thomas is particularly keen that when a research contractor specifies that it is Professor X or Dr Y whose talents he wishes to hire, the academic should get a commensurate return for his employers.

Overseas companies and contractors such as the European Community are well ahead of British contractors in seeing the justice of such a pricing policy, he says. "UK contractors have been getting us on the cheap for too long," says Thomas.

David Thomas (left) admits that his was not a particularly popular appointment. His role is to chivvy academics into bringing more "private" business to the college

Imperial College income from grants & contracts 1985-86

	£million
Research councils	8.8
UK charities	1.1
Government departments	3.7
UK industry & commerce	2.6
Overseas	1.7
Local government & miscellaneous	0.5
TOTAL	18.4

Why Apple clasped hands with Texas intelligence

BY LOUISE KEHOE IN SAN FRANCISCO

THE WORLD of artificial intelligence (AI), where machines are endowed with the ability to make human-like judgments, has joined hands with the mainstream of business computing.

Last week Texas Instruments and Apple Computer agreed to slot Texas specialist AI microprocessors and software into Apple Macintosh II personal computers. The combined system, which will carry both companies' names and be marketed by Texas under the name "microExplorer", significantly reduces the cost of a special purpose computer for the development of AI programs such as "expert systems".

The Macintosh-based system will also retain its broader appeal as a multi-purpose personal computer. "We believe that this kind of cost-effective delivery vehicle will facilitate the widespread deployment of "expert systems" and other AI applications," says Jerry Junkins, Texas Instruments president and chief executive.

The new system will become a catalyst to the use of AI in business, he suggests. MicroExplorer prices start at $15,000, less than half of the cost of a special purpose AI workstation. For Texas, the agreement with Apple represents an opportunity to address a broader market with its AI technology.

The semiconductor and computer maker has developed a single chip version of its "Explorer" computer, a symbolic processor designed for programming in the LISP computer language favoured by many AI experts.

Artificial intelligence and symbolic processing technologies apply computer-based tools and techniques to represent and manipulate knowledge and concepts, in contrast to traditional numeric computing, which uses numbers and structured data.

Although some large corporations make use of "expert systems" which mimic human expertise to act as decision support systems, to date artificial intelligence has failed to live up to its promise to revolutionise computing. Instead, most analysts now see AI becoming an adjunct to conventional computing.

This trend has caused problems for makers of specialist AI computers, including Texas. Sales of specialist LISP computers have been very slow over the past two years, says Harvey P Newquist III, of DM Data, a US market research group.

The high cost of these specialist machines, in the region of $100,000, has been a major drawback. Sales have also been slowed by a broad switch toward the use of standard workstations and personal computers for both developing and running expert system programs, he notes.

As for Apple, it gains a major new customer from the arrangement. Texas will buy Macintosh systems from Apple, add its LISP circuit board and resell the machines under a "value added reseller (VAR)" arrangement.

Apple says that Texas will become one of its largest VARs. "From Apple's viewpoint, the microExplorer expands Macintosh's current base of AI applications to more sophisticated users," says John Sculley, Apple's president and chief executive officer.

Israel steps into mass market for medicines

BY TERRI FINKELSTEIN IN JERUSALEM

TEVA, Israel's leading pharmaceutical company, is to launch at the end of this month a drug which is likely to bring considerable relief to hundreds of thousands of kidney disease sufferers worldwide.

Costing US$4m, the drug, Osteo-D, was developed over eight years by Teva and the world-famous Weizman Institute at Rehovot, near Tel Aviv.

Teva says the drug, which recently received Health Ministry clearance for sales on prescription in Israel, is the first mass market medicine to have been developed by the country.

Osteo-D is designed to combat renal osteodystrophy, a common secondary ailment of kidney dialysis patients. Renal osteodystrophy causes bone pain, muscle weakening and the frequent breaking of bones.

Tests have shown that over a period the drug succeeds in reversing the bone defect, which is caused by calcium deficiency and is particularly serious for children.

All dialysis patients eventually contract the disease, according to Professor Shmuel Edelstein of the Weizman Institute.

Edelstein is now working on applying the knowledge gained from the development of Osteo-D to the much larger question of bone diseases in general. Results from this research are expected within five years.

Initially, Osteo-D will be available for the estimated 1,400 dialysis patients in Israel. But Teva has its eyes firmly on the large US market, where the drug is undergoing clinical testing with the Food and Drug Administration (FDA).

Drugs such as Osteo-D are treated by the FDA as so-called "orphan" or not-for-profit medicines. In consequence, Teva is hopeful that the usually lengthy testing phase will be foreshortened.

Air controllers learn from flights of fancy

By Geoffrey Charlish

A SIMULATION system for the training of air traffic control officers has been devised by two UK companies, E and E Systems and Management (EESM) of Horsham and Reflex of Maidenhead.

Soon to be installed at Dundridge College, in Totnes, Devon, which trains civil and military ATC officers, the system is based on 11 networked VAX 3000 workstations.

These will show simulations of radar displays, while a visual display from Reflex, with a 140-degree field of view, shows the associated airfield. Software for the displays has been written by EESM.

The Reflex display uses three projectors which together produce a 7.5 metre x 2 metre picture. This simulates the view from an airfield tower, covering about eight miles of air and ground movement.

BUSINESS LAW

Practising the law across European frontiers

In the first article of a series on widening the access to legal assistance, A. H. Hermann, Legal Correspondent, reports on a European Court judgment that has reduced cross-border barriers

IN A JUDGMENT handed down on February 25 1988, the European Court struck down as incompatible with European law restrictive conditions imposed by West German legislation on lawyers from other member states.

The decision rules out similar restrictions in all member states and will greatly facilitate the provision of cross-border legal services throughout the European Community. It will be welcomed by companies that wish to employ their own lawyers in transactions or disputes taking place in another community country; it will be welcomed most by enterprising lawyers wishing to expand their activities beyond national borders; it may not be so welcome to lawyers who fear the competition this will bring.

The decision will be particularly pleasing to those British lawyers who have already expanded their activities to the Continent, without establishing a permanent office there. There is, of course, the invisible barrier, which no court decision can remove, created by the difference between the substantive and procedural law in civil law countries on the one hand, and in common law countries on the other. However, being much larger, law firms in the City of London are in a better position to employ specialists familiar with civil law and its procedures than the, as a rule, much smaller continental law firms are to employ specialists in common law.

Indeed, the Federal Republic's restrictive interpretation — made by a law of 16 August 1980 — of EEC Directive 77/249 on the freedom to provide cross-border services can be seen as a defensive measure designed to protect the smaller and less internationalised German law firms against an invasion of foreign lawyers.

The directive provides, in article 5, that member states can impose on the foreign lawyer, representing or defending a client within their jurisdiction, the condition that he will provide his services in co-operation and agreement with a local attorney, who is admitted to the court where the action takes place and who is responsible to it.

The German law elaborated this condition as follows:

1. A lawyer from another community country providing services within German jurisdiction must not act without the co-operation of a German attorney, even in such cases where the client can appear in person without being represented by an attorney.

2. A foreign lawyer can appear before a German court or authority only in co-operation with a German lawyer who has been appointed by the client as his defending counsel or holds the client's power of attorney in civil matters.

3. A foreign lawyer may appear in an oral hearing or at the trial only in the presence of a German attorney.

4. A foreign lawyer must show evidence that he is acting in agreement with a German attorney in every single act that he undertakes before a German court or authority. If such evidence is not available at the time when the legal act takes place, this will become invalid.

5. When visiting a prisoner, a foreign lawyer must be accompanied by a German attorney and may correspond with a prisoner only through a German attorney.

6. In the courts where the parties must be represented by an attorney — regional courts, courts of appeal and the Federal Supreme Court — a foreign lawyer must co-operate with a German attorney admitted to the respective court.

The European Commission thought that this was going too far and took the German Government to court. The European Court found the commission's complaints justified, with two unimportant exceptions concerning contact with prisoners and representation before the Federal Supreme Court.

It held that the obligation to act in agreement and in co-operation with a local lawyer must be interpreted with reference to the purpose of the provision, defined in the preamble of the directive as "the facilitation of the actual provision of cross-border services." It must also be taken into account, said the court, that the Treaty of Rome prohibits all restrictions of the cross-border services since the end of the transitional period many years ago. It calls for removal of all discrimination based on the nationality or residence of the provider of the service.

Although article 60 of the treaty provides that cross-border services can be provided "under the same conditions as are imposed by that state on its own nationals," the court held that this must be interpreted restrictively so as to comply with the general principles of the treaty. As the freedom to provide cross-border services was a fundamental principle of the treaty, the host country could not impose on the foreign lawyer all the conditions imposed on its own nationals, but only those that were dictated by public interest and were not already met by the conditions imposed on the foreign lawyer in his home country.

The German law provides that, in disputes where representation by an attorney is not required, the party may appear in person or be represented by a layman as long as he does not provide such legal assistance as a business. As the foreign lawyer does provide legal assistance in the course of business, the German Government insisted that he could not appear in such disputes alone, but only in co-operation with a German attorney.

The court rejected this argument. As the exclusion was not dictated by public interest, it could not be extended to the foreign lawyer, who had to be allowed to represent clients alone, without the co-operation of a German attorney, before courts and authorities whenever representation by an attorney was not obligatory.

The commission complained that the German law gave much too wide a meaning to the concept of "co-operation and agreement," particularly when requiring evidence of it at every step and when restricting contacts between a foreign lawyer and a prisoner. The German Government defended these restrictions by pointing to the responsibility the German attorney bears towards German courts and to the unfamiliarity of the foreign lawyer with German law and procedure.

The court said the German Government failed to explain what it meant by "responsibility towards the court," adding, somewhat mysteriously, that this responsibility had to be understood with reference to the aim of the directive to facilitate the provision of cross-border services.

As far as unfamiliarity with the foreign legal system was concerned, co-operation with the local lawyer was supposed to compensate for it, said the court. It should be left to the two attorneys, foreign and local, both subject to the professional rules of the host country, to fashion their co-operation in a way appropriate to the instructions received from their client. The national legislation could not impose on the foreign lawyer requirements that were disproportionate to the objectives of such co-operation. The court described as unnecessary the requirements that a German attorney must be constantly present at oral hearings, that he must be the appointed defence counsel or hold the power of attorney for the client, and that the foreign lawyer must, at every step, show evidence of his agreement with a German attorney.

The court underlined that the possible lack of knowledge of German law was not a matter concerning the responsibility of the attorney to the German court, but of his responsibility towards his client who had the freedom to appoint an attorney of his choice.

German attorneys can appear only before the court to which they are admitted and, under the German interpretation of the directive, only locally admitted attorneys could provide the necessary co-operation with foreign lawyers. The court said that the territorial restriction was clearly designed for lawyers permanently established in Germany. It was pointless to apply it to foreign lawyers appearing only occasionally. However, it was justified to require that in cases before the Federal Supreme Court the foreign lawyer should co-operate with a German attorney admitted to that court.

Also the restrictions on contact with prisoners were justified by reasons of security; but the court or authority in charge of the prisoner should be able to make exceptions required by circumstance.

Businessmen will find this decision of the European Court reasonable. Lawyers will think it very bold. If foreign lawyers are enterprising enough to make use of it and appear in the High Court, the Court of Appeal and the House of Lords, they will drive a coach and horses through the rules of the Bar and of the Law Society. It could certainly open up the lawyers' world.

Tomorrow, Professor John Fleming, of Cambridge and Berkeley, will write about the possibility of improving access to the lawyers' world by the introduction of contingent fees.

British Museum/Susan Moore

Suleyman: epitome of opulent Ottoman art

Suleyman the Magnificent would make a perfect subject for an opera. (Sussmayr obviously thought so.) One can imagine a scenario: the opulent and exotic 16th century Ottoman court, an omnipotent conqueror whose passion for a beautiful Russian slave concubine compels him to free her and marry her, then to succumb to her scheming by putting to death his innocent eldest son.

Suleyman's awesome if romanticised reputation in the West proved a tactical asset during his lifetime (1494-1566), but it also belied a much deeper misunderstanding of Ottoman culture that persisted well into this century.

International attention was first drawn to the unsung glories of Ottoman art in a seminal exhibition organised by the Council of Europe in Istanbul in 1983. (No major collections exist outside Istanbul or the Kremlin, apart from the British Museum's Iznik pots, the finest group in the world.)

Since the repeal of legislation forbidding the loan of objects from Turkish national collections, there have been major loan exhibitions in Japan and Germany. Last year *The Age of Suleyman the Magnificent* made a triumphal progress across North America. The BM's smaller show (until May 29) comprises the same loans from Turkey but supplemented with British Museum and Library holdings rather than American loans. It shuns a blockbuster approach in favour of presenting Suleyman as a historic personality, a figure on an European stage hardly big enough to accommodate him, his ally Francis I, his adversary Charles V, Henry VIII and Ivan the Terrible.

It is hard to see where on the stage Suleyman fails to steal the limelight. As the most absolute of absolutist monarchs, head of Church and ever-increasing State, he was the most admired and feared monarch in Europe. As to his personal accomplishments, few of his peers could rival his poetry and patronage of the arts, or match his devotion to his wife and lack of interest – so we are assured – in wine or boys. Poor King Hal. Even his authorship of Greensleeves is disputed.

Suleyman's conquests and diplomacy proved less profitable as a source of loot than as a stimulus for tribute and the trade in luxury goods – whether Augsburg clocks, Chinese porcelain, Indian gems or Muscovy ivory and furs. Raw materials and skillful craftsmen – attracted and conscripted to the Ottoman court – were both in rich supply in the vast and various palace workshops. Under Suleyman Ottoman art flourished as never before, distinguished for its brilliance, virtuosity and eclecticism.

Posterity has rarely conferred on a monarch a more appropriate sobriquet. (To his contemporaries he was the Lawgiver.) Everything about Suleyman was magnificent, not least his appearance. Oddly enough, one of the most vivid images in the exhibition is a monochrome woodcut running across nine sheets that portrays Suleyman riding in procession to the Friday prayer. This 16 foot frieze suggests the scale and lavishness of even the most regular court ceremonial. The entourage, a cast of thousands, comprises all manner of grooms and pages, foot and mounted soldiers, and led horses richly caparisoned and studded with jewels. Little wonder that Suleyman succeeded in inspiring awe in his subjects and terror in his enemies (in old age he even powdered his face with red pepper to appear more ferocious). The regalia, textiles and armour on show come to life when seen through the eyes of this anonymous Venetian witness.

More appealing than the rather clumsy regalia are the exquisitely crafted swords and daggers. Suleyman's sword, of unparalleled complexity in Ottoman and Safavid art, incorporates battling phoenix and dragons around lotus scrolls. Jewellery is limited to tulip-shaped turban ornaments and archers' thumb rings which, we are cheerily informed, were possibly also used for tightening executioners' handkerchiefs.

Illumination is the revelation of the show. It seems that, unlike painting, the indigenous Ottoman style of illumination remained unaffected by the influences of imported craftsmen or craftsmanship, and surprisingly did not directly inspire other art forms. Most unusual and beautiful of the folios is one of Suleyman's poems (his pen name means "the affectionate one"). Dazzling panels of delicate and stylized garden flowers in gold and polychrome are introduced between the verses, the broad margins of bold gold and silver leaf scrolls and floral sprays. The 16th century proved an Augustan age for Ottoman poetry, even if Ottoman Turkish is less refined than Persian verse.

Ottoman painting reveals the influence of Herat and Tabriz court style, and an increasing interest in portraiture and topography. These highly decorative illustrations are fascinating historical accounts of Suleyman's campaigns and conquests, a feast of information on contemporary architecture and fortifications, costume and warfare.

The Ottoman craftsman's desire to cover every surface with intricate decoration seems far less successful when applied to three dimensions. The propensity to encrust metalwork, jade, and hardstone vessels with gold tracery and precious stones seems to me a severe case of gilding the lily.

One suspects that it is partly familiarity that enables us to delight unreservedly in the admittedly unsurpassed virtuosity of the brilliant Iznik pots (the textiles likewise), with their bold chinoiserie scrolling garden flowers and range of rich colours. Let us hope that more of such exhibitions will help break our wider reserve.

Sponsored by Standard Chartered plc and Interban, Turkey.

Suleyman riding in procession to the Friday prayer: detail from an anonymous Venetian woodcut in nine sheets

Iain Glenn and Felicity Kendal

Adrian Muir

Hapgood/Aldwych

Michael Coveney

Tom Stoppard's new play, his first since *The Real Thing* six years ago, opens in the changing area of a swimming pool in the Commercial Road, East London. British Intelligence agents are running to ground, or in this case water, classified information and a Russian spy. A black CIA man is shaving. Doors slam, dummy discs in brief cases are passed around, signals given by towels and on a network of radio bleeps, Felicity Kendal steps fully clothed from the shower.

This is Hapgood, codenamed "Mother," who runs a counter espionage operation from Half Moon Street in Mayfair attended by Nigel Hawthorne as Blair, a smooth conciliator to whom things must be explained. Much explaining is done to him by a Russian nuclear physicist, Kerner (Roger Rees), who has defected to the West not so much in search of asylum as in search of an IBM 195. His research in Geneva has become clouded by a cold war bluff of traded secrets. He was once interrogated by Hapgood who made her one big mistake by falling in love and having a child by him. Mother is a mother. Their son is the one secret not so far placed on the international table. Hapgood goes to watch him play rugby in a remote private school.

Nobody, apart from this child, is quite what he or she seems. Conversation is a labyrinth of lies and alibis, the strategic short-range weaponry of deceit that we all recognise. But the images and metaphors are from spy fiction, with special emphasis on doubles and twins, safe houses and sleepers, stooges and "Joes," meat and chickenfeed. Kerner from Konigsburg, the home town of Kant, builds one of Stoppard's greatest shimmering pyramids of linguistic logic in trying to explain (to Blair, naturally) the mystery of double agents in terms of quantum mechanics.

My mathematics were sufficient merely to scrape two maths O-levels (admittedly one of them "Additional"). The point is that Stoppard corrals a foreign language and applies it to physical action, just as he did with linguistic philosophy in *Jumpers*. The atomic theory of particles is used to suggest you *can* tell which twin is the phoney. Waves of light become particles when looked at closely. The act of observing determines the reality.

The theory is illustrated in a dazzling second act which is wound up by the abduction of the child as a pawn in what Hapgood herself describes as a boardgame (though she plays chess without a board). Young Ridley, a street bruiser who seems to be double-crossing on both sides, energetically played by a striking newcomer, Iain Glen, is taken for a ride by Hapgood's double, a common model. Just as the CIA man (Al Matthews) receives a triangulation when the beams cross in the office, so the espionage thriller, the abduction and the confusions of identity are resolved in a seamless, climactic triple-headed narrative.

Miss Kendal returns to the London stage, beautiful as ever and in radiant form, her brilliantly projected carapace of smart toughness crumbling under pressure from the maternal instinct. As far as her son is concerned, her work telephone number is an official secret. When he loses a rugby boot (Stoppard, as usual, manages to get the boot in), she decodes a grid he dictates to her fussing PA (Roger Gartland).

The love affair with the man she first interrogated is threaded skilfully through the play, although Roger Rees misses a paternal emotional pang or two where the text has created the chance. But he delivers two great analytical speeches with technical precision and eclat and is good at mixing technical jargon with exploratory delight in English idiom ("She blew it and I'm blown; well I'll be blowed").

Peter Wood's production is generally well acted and better organised than was *The Real Thing* although Carl Toms's design is again over-elaborate in its use of street map projections, flying trucks and scenery.

The lighting by David Hersey is full of waves, particle patterns and, who knows, the original atomic photo-electric effect.

The Last Supper/Royal Court

Michael Coveney

The new Howard Barker play at the Royal Court is one of this infuriating, talented author's most interesting. And most entertaining. It subverts the Easter parade of pieties and mythologies, but only to question the relationship between a messiah and his followers. Only a bigot or a fanatic could consider *The Last Supper* blasphemous.

In fact, there is something movingly religious about it. Endless war is being fought somewhere in Europe. A guru summons his disciples to a farewell dinner for which a dog has been skinned. They include a prostitute, a scholar, a salesman and a disillusioned nurse who bares her breasts at departing trainloads of soldiers.

Their pre-prandial discussion is broken-up by a series of Brechtian parables, in which three comic soldiers ("We kill nobody") come across a distraught peasant woman, a bind violinist raping a nun, an impetuous, flagellating monk.

The guru's philosophy, or religion, has not percolated downwards. It has been appropriated in the cause of bestiality and corruption. One thinks of Trotsky's wry remark of how Lenin's "disciples" were true to their master in the little things but not in the big. Barker's prologue declares that his play contains no information. His messiah, called Lvov, is a solipsistic poseur whose creed is never properly enunciated. He is afraid not of death but of being revealed.

Fame on a large scale and aphorisms of dubious wisdom ("Tolerance is impossible without gratification") are attributed to Lvov, but the point of this play, and its insidiously compelling achievement, is to discuss how belief is handed around, what is entailed in being a card-carrier. Barker has always been a magpie sort of writer. There is a strong Caryl Churchill influence at work here, in the use of company chorales (as in *Serious Money*) and a convergent dinner party (as in *Top Girls*).

But Kenny Ireland's production, brilliantly abetted by the design of Dermot Hayes, the lighting of Andy Phillips, and the blaring devotional anthems of Matthew Scott, invests this spikily vigorous hotchpotch with a true visceral beauty. It is played lightly and sharply by a wonderful cast in a mock Renaissance interior of hanging cloths painted in a rich, flat quattrocento style of dark blue skies, mist-obscured landscapes and gold leaf portals.

A central doorway is inset with iconic portraits, but there are larger photographic impositions elsewhere of the teeming masses, the inheritors of "Lvovness." By their faces, you can see that Lvov has certainly not made their world go round. Nor was he, by their estimation, a many-splendoured thing. Barker has lately acknowledged, with an almost hilarious seriousness, that socialism can be as tyrannical a creed as any other. He seems in this play to be expressing a sudden dislike of all dogmatism.

Philip Sayer plays Lvov with a smug certainty but an undeniable attractiveness. The son of a bricklayer whose first language was dialectic, he feels his grip slipping at the age of 42. Bespectacled and gentle, he knows he must die in order to live. After a humorous, flashing tableau reference to the Da Vinci painting, he declares himself on the menu.

The murderous, cannibalistic connotations of the Catholic dogma of transubstantiation are brutally activated in the final moments. The savagery is poignant because the followers have spent all evening putting their expectations and experience into a sort of dramatic double focus. They need to follow someone, they need to destroy him.

As usual in Barker, there are strong flashpoints of action: the outlawing of the gathering and a strangulation; the gleeful delivery of a bottle of gin "from the last fat man in Europe;" the electrifying test of Lvov's sexuality by one of the faithful.

The overriding idiom is rough and sinewy, and often paradoxically redolent of the Gospels. Barker sub-titles his play "A New Testament" and among the notable witnesses are Jane Bertish as an insane nurse, Meg Davies as a sleek widowed witch, Nick Le Prevost as a wispy-wigged aristocrat, and Tony Mathews as a large and tattered poet.

The play is presented in collaboration with The Wrestling School, a new company formed to present Barker's work, and the Leicester Haymarket, where the production travels after completing its Sloane Square run on March 26.

Gubaydulina/Festival Hall

David Murray

By Tuesday, fortunately, Gennady Rozhdestvensky's health was sufficiently restored for him to conduct Sofiya Gubaydulina's recent symphony (*"Stimmen . . . verstummen . . ."*) as he did at the 1986 première in Berlin. The orchestra here was the BBC Symphony; the programme continued – fairly weirdly – with Schumann's piano concerto (Victoria Postnikova as soloist) and an impiously exhumed Elgar transcription of Bach's organ Fantasy and Fugue in C minor.

With swollen percussion and harp glissandi, this latter curio wasn't even funny. Neither was Miss Postnikova, but she was at least interesting. Her air of grave concentration, somewhat compromised by a continual spatter of finger-slips, was reinforced by deadly tempi in most of the solo passages, treated as strictly private meditations, *ppp* (recalling Henze's mythical soprano who reached such ethereal heights that she disappeared from human perception altogether). There were insightful flashes, or anyhow elusive flickers, of the kind we treasured from the young Postnikova of old; Rozhdestvensky, a loyal husband, somehow made the score fit around those peculiar piano-fragments.

"Stimmen . . . verstummen . . ." – words from the end of a previous Gubaydulina work: "voices . . . falling silent . . ." – takes forty minutes and has twelve sections, alternately "static" and "dynamic" up to the ninth. The odd-numbered ones, which play raptly with a major triad (later teased upward) in all registers, are successively briefer; the even-numbered ones, chromatic and darkly churning, expand and threaten. The eighth and tenth attain a black density, and between them comes an extraordinary "cadenza for conductor," gesticulating silently while the slap of bare hands on a bass drum is twice answered by a low shudder.

With the eleventh section the triad returns tremulously, almost like a Romantic dawn-with-bird-song; and little by little a kind of passacaglia emerges in tentative steps. What had seemed bare, impersonal elements in the earlier segregated movements begin to coalesce and take on thematic weight. There is no peroration, but only a sense of music finding itself, gently and shyly.

As in other works, Gubaydulina seems to rediscover – in all innocence – the musical potency of the simplest sounds, and the polar charge of the natural (diatonic, limpid, still) *versus* the wilful (restless, dense, over-laden), enacted here on a scale appropriate to a symphony. There is no surface cleverness to distract: that is Gubaydulina's special, hard-won grace.

"Changeling" for NT

The National Theatre is to stage Middleton and Rowley's revenge tragedy *The Changeling*, directed by Richard Eyre, and starring Miranda Richardson in her first NT role. It will open at the Lyttelton on June 23.

Identity Unknown/Swan, Worcester

B.A. Young

Despite the useful unlikelinesses that keep his mystery mysterious, Euan Smith has written a really ingenious thriller. The production at the Swan Theatre, Worcester, directed by himself and Chris White, begins with a still scene showing a man dead on the floor of a provincial police station, but the mystery is not "who did it?" but "who is he?," for we do not meet him again for quite a time.

The real mystery is different. In that police station, Detective-Sergeant Cutler is dealing with a report that a young woman has been run over on the railway. He has such description as can be made of a body hit at 80 miles an hour, and such of her possessions as have been found by the line. He is joined by the ill-tempered Detective-Inspector Paterson, whose family life is falling apart, who has not heard from his student daughter Emma in London for weeks. This might have been her death, but how to find out?

He visits her college in London and quarrels angrily with her tutor, Nigel Binns, and a fellow-student, Debbie. Debbie says that Emma was going about by herself studying charitable works. Binns, however, says that she was a hostess at a club, living with the manager. On to the club, where Paterson takes a punch at the manager but is naturally beaten up by him and his bouncer. They rob him and dump him outside in the street, foolishly leaving him with his ID card. Angie and Georgie, the current hostesses, rescue him and offer him a night's shelter.

Angie says that Emma was spending time with a blind down-and-out called Charlie. Armed with this minimal information, Paterson seeks out the down-and-outs by way of a soup-kitchen, and indeed finds Charlie; but Charlie dies before he can give the vital information now needed. This was our opening scene – Charlie dead.

There are 25 characters, acted by six players, plus extras as the down-and-outs in a cheerless underneath-the-Arches scene. Only Iain Rattray, rather too hectoring as the Inspector, does not double. Sam James, the sergeant, has three other parts; Maxwell Hutcheon as Moffat the club manager has four, Karen Henthorn is Debbie and three other girls, Kazia Pelka is George and four others, Mark Strong is Binns and five other men.

Simple to list the improbabilities. Why for instance, does Paterson not go to the Met for help instead of playing his dangerous lone hand? But *Identity Unknown* is a thriller, and it is thrilling enough, and well acted enough, to make you forgive those inconsistencies until you are on your way home.

Arts guide

March 4-10

Exhibitions

PARIS

Grand Palais. Zurbaran. From New York, an exhibition of 72 paintings retraces the artistic development of one of the great masters of the Spanish Golden Age. Influenced at first by Caravaggio's chiaroscuro technique, Francisco Zurbaran progressively abandons the strongly-contrasted rich colours for a softer palette with near monochromes. Reversing the perspective, using geometrical composition settings and shedding everything superfluous, the mystical painter of the counter-reformation seems to be a precursor of cubism. (42560924). Ends April 11.

Musée d'Orsay. Van Gogh in Paris. To mark the centenary of Van Gogh's two-year stay in Paris, a period which proved a turning point in his artistic development, the Musée d'Orsay has assembled more than 50 of his paintings and a dozen of his drawings from national and private collections. By hanging landscapes and still lives by Monet, Anquetin, Renoir, Toulouse-Lautrec and Signac next to Van Gogh's work, the exhibition brings out their influence on the transformation of the Dutch artist's traditionally sombre colours into a soft impressionist palette in spite of the revelation of his affinities with impressionism and post-impressionism structured by a strong dose of japanism, Van Gogh used both the techniques in his search for his own, profoundly personal art expressed most dramatically in the series of his self-portraits. (45 49 48 14). Closed Mon. Ends May 15.

Centre Georges Pompidou. Le Dernier Picasso 1953-1973. By placing the last twenty years of Picasso's work in the context of contemporary art, the 95 paintings, 34 drawings and 70 engravings exhibited permit a fresh approach to the controversy caused by contradictory judgements on the ageing painter's feverish creativity. Absorbed at first by paraphrasing Delacroix, Velasquez, Manet and David, his fantasies and obsessions turned to the painter and his model and finally to the basic themes of the archetypical woman, the couple, the man. (42 77 12 33). Closed Tue. Ends May 16.

Petit Palais. Winterhalter and Europe's Courts from 1830-1870. A retrospective of the painter of graceful feminine beauty around the thrones of France, England and Belgium. (42 65 12 73). Closed Mon. Ends May 7.

LONDON

Tate Gallery. Douglas Cooper – The Masters of Cubism. A small but choice selection of 81 works on paper from Cooper's collection of cubist art of all kinds but principally of the work of the great quartet of Picasso, Braque, Gris and Leger. Ends April 4.

Tate Gallery. Young Turner: Early Work Until 1800. The latest in the continuing series of small temporary exhibitions in the Clore Gallery devoted to the many aspects of the vast number of water-colours and drawings in the Turner bequest. This display covers the crucial 12 years or so from the mid-1780s which saw Turner mature with astonishing rapidity from competent conventional topographist to a virtuoso of the medium of water colour of astonishing breadth, freedom and originality. Ends March 20.

Tate Gallery. David Bomberg – A full retrospective of one of the most distinguished British painters of the century, yet one whose secure critical success came only after his death in 1957, at the age of 66. As a young man in London before the First World War, Bomberg was associated with the Vorticist movement, of the first importance and originality. But now we can see that far from fading into sad mediocrity, his later work, though superficially so different, realised all that strength, liveliness and profound originality.

ITALY

Rome. Villa Medici (French Academy). A Certain Robert Doisneau. Photographs spanning the 40 year career of Doisneau, from his touching and evocative Paris street-scenes of the immediate post-war years to a series of portraits of well-known writers and artists. Tender but unsentimental in the images of children and lovers among the rubble of the bombed city, Doisneau is illuminating, humorous, and unmalicious in his portraits: Picasso in 1952, sitting with splayed hands on the lunch-table, but with bread-rolls where the fingers should have been; Prevert posed carefully in front of the shop Merode, so that the O is covered; Colette with her enormous collection of paperweights, and Julien Green; de Beauvoir, Simenon, Dubuffet and Giacometti. Ends April 3.

Florence. Palazzo Pitti. Floralia – 80 paintings of flowers and plants with drawings, tapestries and illustrated botanical books, testifying to the Medici's precocious passion for this science, from Cosimo I onwards. Ends April 10.

SWITZERLAND

Geneva. Alberto Giacometti drawings and rare prints. Galérie Jacques Benador, 7 Rue de l'Hotel-de-Ville. (21 61 36). Ends March 26.

NEW YORK

Metropolitan Museum of Art. Every phase of Fragonard's art is included in this, the first comprehensive exhibition of his works that capture France in the last decades of the ancien regime. With 90 paintings and 130 drawings, the show comes from the Louvre with his paintings like The Fête at St Cloud and The Seesaw. Ends May 8.

WASHINGTON

National Gallery. The human figure in early Greek art is the subject of 67 sculptures and painted pottery starting in the 9th and 8th centuries BC with silhouetted stick figures and ending with the naturalism perfected in the 5th century BC. Ends June 12.

TOKYO

National Museum, Ueno. Preliminary Paintings for Edo Castle. Recently discovered watercolours and working drawings by artists of the Kano School for a remodelling in the 1830s or 1840s of the shogun's castle, where beautiful paintings decorated the sliding paper doors and ceilings. The idealised landscapes flow effortlessly from panel to panel, with an abundance of seasonal flowers, birds and animals. Of particular interest are the sketches for the Pine Corridor, setting for one of the more violent incidents in Japanese history (portrayed in countless plays, films and soap operas), but here revealed for the first time as an idyllic riverside scene replete with swooping birds. Sadly, the charming picture of a baby dragon toying with a length of blue ribbon like a playful puppy was not used to adorn the walls of a nursery. Ends March 27.

Japan Folkcraft Museum (Nihon Mingeikan; Komaba). Prints by Munakata Shiko, pottery by Kawai Kanjiro. A special exhibition featuring works by two of the leading Japanese artists of the 20th century. Munakata's prints are dynamic and vertiginous (possibly because he was near-sighted from his youth onwards); while Kawai's distinctive style favours brightly coloured glazes. Don't miss the superb adjoining collection of crafts from all over Japan, housed in a replica of an old farmhouse building which is in perfect harmony with the unself-conscious beauty of the objects. Ends March 27.

WEST GERMANY

Berlin. Martin-Gropius Bau. Joseph Beuys (1921-1986). This is the first complete show of Beuys works ever presented in Berlin. There are about 150 room-sculptures and objects and about 450 paintings from the end of the 1940s to the end of the 60s based on a cycle, The Secret Block for a Secret Person in Ireland. The early forms are an echo of real life and the artist's memories. Beuys was a political "radical" who attracted plenty of hostility. This exhibition has been criticised for not showing this aspect. Stresemannstrasse 110. Ends May 1.

NETHERLANDS

Amsterdam. Stedelijk Museum. An explosion of colour and exuberance fills ten of the museum galleries in the Frank Stella retrospective of paintings and reliefs from 1970-1987. Ends April 10.

Amsterdam. Rijksmuseum. A selection of 80 Dutch drawings from the period around 1600 to coincide with the publication of the third in the printroom's series of fully illustrated catalogues of its Netherlandish drawings. Ends March 20.

Rotterdam. Boymans-Van Beuningen Museum. Late 19th-century Dutch painting of the Hague and Amsterdam schools, with works by Maris, Mauve, Breitner and Jongkind and their contemporaries. Ends March 20.

Saleroom/Antony Thorncroft

Saved by the ark

If anyone wanted proof that the art market has come fairly unscathed out of the stock exchange crash (at least in the short term), it was provided by Sotheby's auction of British pictures yesterday, which totalled £2,496,120 with 7.2 per cent unsold.

The last sale in this sector, in November, had its problems, but this time dealers were out in force and all the top paintings were selling comfortably above forecast, not least the star lot, "The assuaging of the waters" by John Martin, which was bought by the New York dealer Richard Fiegin for £495,000.

This large canvas is reckoned to be a masterpiece of English romantic art, depicting as it does the Flood starting to wane with the Ark on the skyline, a tiny glimmer of hope for mankind. It was painted in 1839 for the Duchess of Sutherland and was sold yesterday by the General Assembly of the Church of Scotland. Its companion piece, "Eve of the Deluge," is at Buckingham Palace.

A typical Stubbs painting of a bay hunter was bought by Ackermann for £297,000, way above the cautious £80,000 top estimate, and another sporting picture, by John Frederick Herring Snr, showing the finish of the Doncaster Gold Cup in 1826, just made its estimate at £165,000.

The London dealer Agnew was acquiring Constables, paying £132,000 (estimate £20,000-£30,000) for a sketch of Brighton beach done in 1824 when his wife went to the resort for her health, and £99,000, inside target, for a view of Hampstead Heath looking towards Harrow on the Hill. The oil sketches were recently rediscovered but the first was no stranger to Christie's, having sold there in 1910 for £6 16s 6d while the second was sold by Charles Constable for £12 in 1871.

A portrait of Edward, Prince of Wales, later King Edward VI, by a follower of Hans Holbein was bought by Browse & Darby for £90,200, while a portrait of King James I (or VIth of Scotland) by John de Critz, which had descended through the Sutherland family, made £33,000.

An unusual picture of a St Bernard, completed by Sir Edwin Landseer when he was thirteen, sold for £19,800. Apparently the dog, known as Lion, was one of the first alpine mastiffs to arrive in England and so impressed the youthful Landseer when he came across it in the street that he followed the owner home and asked to paint it.

Phillips set a record for an item of Bottger stoneware when a teapot and cover, 12 cm high, produced around 1712, was bought by a Japanese collector for £36,300. A medallion made by Wedgwood in 1789 with clay sent back from Botany Bay just after the arrival of the first convict fleet realised £16,500, way above forecast.

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Shift to the middle ground

SUPER TUESDAY did not quite live up to its advance notices as the grim reaper of American presidential politics. But it did suggest, with some qualifications, that the presidential election in November will be fought out between two candidates who approach the battle from the middle ground. Not since Mr Carter edged out Mr Ford in 1976, a year when the country was, as now, in one of its less certain moods, has this been the case.

Two assumptions, however, need to be made. The first is that Vice President George Bush really is an establishment Republican, the soft evidence for which lies more in his breeding and background than in his record in his current and previous offices. Indeed his success on Tuesday owes much to the residual popularity of President Reagan, who is not a moderate, than to any policy positions or personal qualities of his own. Mr Bush is the quintessence of personal devotion to public service, an admirable abstract quality but one which tends to leave questions unanswered.

The second assumption, on the Democratic side, is that the Reverend Jesse Jackson remains a containable political force. The most remarkable results on Tuesday were that Mr Jackson won the Democratic primaries in Alabama and Mississippi, the states which, exemplified a generation ago by men like George Wallace and Bull Connor, are associated above all others with prejudices against his race. His success is a considerable tribute both to his abilities as a politician, capable of crossing the boundaries of colour, and to the growth of black political consciousness.

Man of the left

But, in policy terms, Mr Jackson is of the left of the Democratic Party, and on Super Tuesday better aggregate, if not individual, results were achieved by Governor Michael Dukakis and Senator Albert Gore, very much men of the middle. Both have a long way to go, but without the intervention of a current non-candidate, the nomination fight could be between them. Both would need to come to terms with the forces represented by Mr Jackson, but it is not inconceivable that the Democrats will end up with a Dukakis-Gore ticket (or the other way round).

Indeed, in both parties, the fringes, which had flexed their muscles effectively in the first primaries, were, Mr Jackson apart, found punchless in the wider arena. The demise of some of them is to be welcomed. On the Democratic side, Congressman Richard Gephardt's brand of economic nationalism and protectionism, presumably to be given a final fling in the industrial state of Illinois next week, was always much more worrying, in its demagogic potential, than Senator Paul Simon's orthodox liberalism. It would be wrong to conclude from Mr Gephardt's failure that the omnibus Trade Bill with which he is associated is in deeper trouble, but any evidence that his cause has limited popular appeal helps.

Conspicuous neutrality

Equally, for the Republicans, it should be a relief that the doctrinaire social and economic arguments of Mr Pat Robertson and Congressman Jack Kemp have flattered only to deceive, for Mr Robertson, in particular, constituted an unacceptable face of conservatism. Mr Reagan's conspicuous neutrality in the Republican race, which has left Mr Bush with the most legitimate claim to inheritance, seems to have drawn the right's fangs.

It is, however, very premature even to speculate on a winner in November. Mr Bush's path to a nomination is now the clearest, but both the right wing and Senator Robert Dole, neither hitherto known as charitable losers, could make him bleed en route; and he has no real Rose Garden of invincibility to which to retreat, unless the President gives him the key. Democratic divisions persist and the stature of the leading contenders remains in question, but a good contest can keep public interest in the party alive.

In politics, the fight is generally for the middle ground. But in 1960, 1968 and 1976, the last three US elections in which both nominees approached the presidency mostly from the middle rather than the flanks, the margins of victory were by fractions.

The case against health insurance

TWO QUITE different recipes for reform of the National Health Service are being advocated. The "hard right" argument is that the only way to introduce real choice is to move towards some kind of health insurance. Individuals should be allowed to contract out of the state system and choose how much of their own cash to spend on health care. Then, they claim, the Government would no longer have to decide, arbitrarily, how much of the nation's resources to devote to health.

The "soft right" position is that the disadvantages of insurance have been amply demonstrated abroad. The priority, instead, should be to improve the efficiency of the NHS as a provider of care. This could be achieved, they claim, by encouraging "internal markets" – competition between health districts – or, more controversially, by altering the structure of the NHS. Both the Adam Smith Institute and the Centre for Policy Studies have advocated the introduction of management units based loosely on US "health maintenance organisations." Both stress that a reorganised NHS could remain tax-financed and offer services free (or nearly free) at the point of consumption.

The drawbacks of the insurance option are highlighted in a report published yesterday by the King's Fund Institute, an independent centre for health policy analysis. It emphasises the problems likely to be encountered if people are permitted to contract out of the state system. Those most likely to opt out include the affluent and low-risk groups who expect to make few demands on the NHS. If they were allowed to take out anything approaching their present tax contributions, an "impossibly high" financial burden would be placed on the high risk groups left behind.

Cross-subsidies

The main source of existing cross-subsidies are the different health care requirements of different age groups. People of working age on average cost the hospital and community health services only about £100 a year; those over 75 cost nearly £1,000 a year. The people who use the service most heavily thus pay nothing towards it, while those groups that are rarely in hospital cover their own costs by a factor of three or four. Among people of the same age, there are also wide variations in health care needs; again the low risks would flee the NHS while those with chronic illnesses would have to face higher taxes and/or social insurance premiums.

In reality, nobody would be able to opt out of the NHS entirely because private medicine does not offer anything like a full range of services. At present, as a recent CPS paper admitted, it covers only about 20 to 30 classic items of cold surgery, such as hernias and varicose veins. Around 99 per cent of advanced medicine is carried out in NHS hospitals. In old age or before – if anything serious happened to them – those contracting out would be back demanding health care as of right from the state. Schemes allowing relatively affluent, working-age people to opt out of the NHS only for a limited list of straightforward operations could, in principle, be devised. But the cash rebates would be small relative to the administrative costs involved.

Passive mechanism

Moreover, the gains in terms of quality of health care would be non-existent and possibly negative. UK private health insurance is a passive mechanism for meeting the bills presented by insured people. A system which pits individual consumers of care against professional suppliers, with third parties picking up the tab, is inherently flawed. As Professor Alain Enthoven, the Californian health economist, argues: "Such a market does not work. It cannot produce efficiency and equity." Indeed, even the much-vaunted health maintenance organisations operating within the US insurance system are finding they cannot control costs adequately, despite insisting on prepayment for health care.

The insurance option favoured by some critics of the NHS is a blind alley. Consumers of care, as Prof Enthoven maintains, need "sponsors"; in the UK context the best sponsors are likely to be tax-financed public-sector bodies based on existing district health authorities. At the end of the day, the Thatcher Government will have to accept that the scope for individual choice and free markets in health is limited. Better management rather than uncontrolled competition should be the priority.

Bridget Bloom looks at the controversy over UK forestry policy

Unlovely as a tree

BRITAIN's forestry policy is under attack as never before. The National Audit Office, the independent auditor of government accounts, and the Public Accounts Committee, parliament's all-party spending monitor, have each produced sober but quite damning reports castigating the state-owned Forestry Commission for the poor returns from its grant-aided operations. Over the past year, all Britain's major conservation bodies has called for a policy review. And there is a rising public outcry against tax incentives for conifer planting which are of special benefit to the very rich.

In its steel and glass headquarters in Edinburgh, the Forestry Commission seems defensive – perhaps reflecting the unease of its political masters. Forestry does not have one government minister, but three. None, at the moment, will give interviews on forestry questions. Conservationists suggest this reticence may be because Mr Nigel Lawson, the Chancellor, intends to change the tax incentives for forestry in the Budget next week, but most observers are sceptical.

The so-called Flow Country of Caithness and Sutherland, in the far north of Scotland, is the latest, and one of the biggest, targets of the conservationists. Dr David Bellamy, the naturalist, presented a television film last month which depicted extensive planting of conifers in this area. "Total vandalism" was his description, as the cameras showed tank-like ploughs carving their way through peat and bog to clear the way for sitka spruce and lodgepole pine.

Such opposition is far from new. What is striking about the present controversy is the remarkable unanimity, outside the Forestry Commission and the forestry industry, that reform is needed. The Government too, has recognised for more than a year that developments in farming, stemming from the gross over-production of recent years, make new land-use policies essential. Criticisms of forestry policy fall under three main heads.

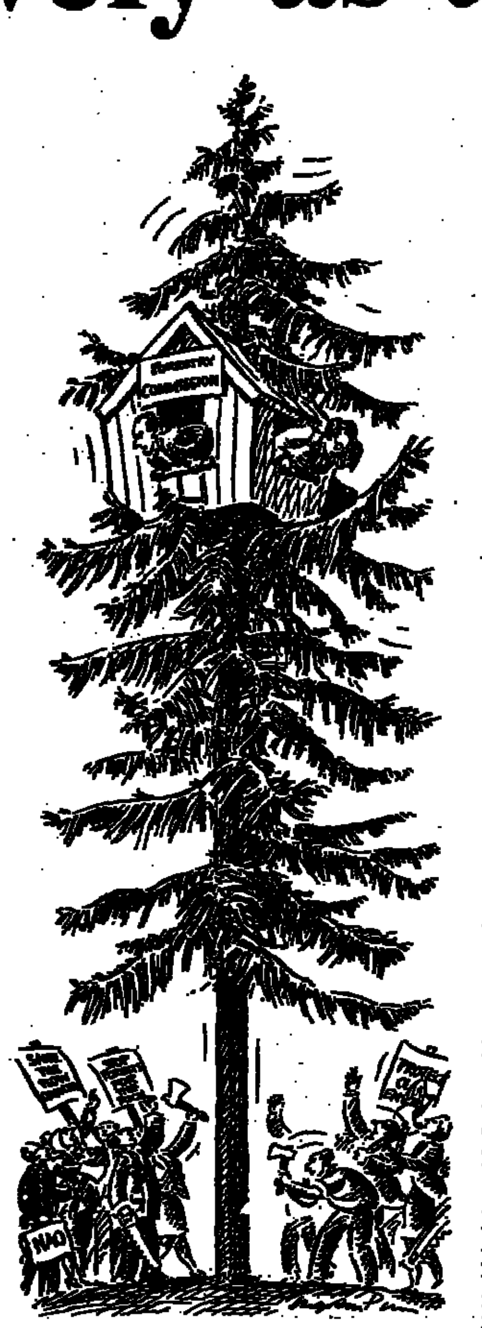
● The National Audit Office and the Public Accounts Committee question the economic viability of much state-run forestry. They charge the Forestry Commission with failing to meet the (low) rates of return set for it, criticise the high cost of creating jobs in forestry and wonder whether it would not be cheaper for Britain to rely more on low-cost imports for its timber.

● Government quangos like the Nature Conservancy Council and the Countryside Commission are joined by independent bodies like the Council for the Protection of Rural England (CPRE) in criticising the environmental impact of much forestry. The conservancy council, for example, describes the 65,000 hectares (160,000 acres) so far planted in the Flow Country as "the most massive single loss of important wildlife habitation in Britain since the Second World War."

● There are criticisms of the incentives offered to private investors to plant on poor, but environmentally sensitive land, and of the poor planning and consultation procedures which accompany much planting.

Forestry is a difficult area in which to devise financial regulations, as the Government, the NAO and PAC all acknowledge. Conifers planted 40 years ago, part of the 700,000 hectares of all types of woodland planted since the war, are only just maturing; broad-leaved trees take much longer. Special incentives have thus been devised to encourage private planting and the Forestry Commission is expected to make only a 3 per cent return on its investments – against 5 per cent for most other state concerns and the 9 per cent current rate of return in British industry.

The NAO report shows that while it is difficult to estimate the rate of return with accuracy (the Forestry Commission's accounting conventions effectively write off sunk costs every five years) the average expected return on new investment is 2.25 per cent, while in the poorer areas, including northern Scotland, where most new planting is taking place, it is "only 1.25 per cent or lower."



A 1972 Treasury forestry review cast doubt on the cost of creating jobs in forestry, a finding endorsed by the NAO and the subsequent PAC report, which says one job in forestry can cost as much as £50,000 – very much more than one in tourism.

As for the incentives to private investors, who today are planting four times as many trees as the Forestry Commission, the NAO notes that it has "some doubts about the national economic benefits" derived from government support. This it estimates at £10m a year in tax incentives and £16m in services and grants from the Forestry Commission. Government grants to the Commission's own operations, including research, amount to some £37m. The particular advantage of the incentives to high-rate taxpayers is that the costs of establishing new plantations can be set against income tax liability from other sources, while capital gains tax can be avoided if the plantation is sold.

The onslaught on forestry policy has provoked a fierce reaction from the industry. Growers, processors, estate owners and planting companies formed the Forestry Industry Committee of Great Britain early last year to better express their views. It prefers to steer clear of environmental controversies, resting its case on the economic and strategic importance to Britain of an integrated, domestically supplied forestry industry. It believes that timber grown at home should, by the turn of the century, fulfil some 18 per cent of the country's £4.5bn annual timber needs, compared to some 14 per cent today.

From its low point in the early 1980s, the domestic paper and board industry is now expanding, partly, it is claimed, as a result of the availability of timber from maturing post-war forests. Two big new plants, both involving Finnish capital, will help raise new investment in the industry by some £600m. Although employment is not expected to increase markedly from the present total of 43,000 and Britain will stay a relatively small producer by international standards, the industry claims that it will be able to compete aggressively against imports in sectors where quality, technological innovation and closeness to markets give it an advantage. So the industry wants forestry policy left as it is, maintaining, for example, that the tax incentives offered are little more advantageous than similar packages elsewhere in Europe.

The reforms canvassed by the other interested parties vary, depending on their perspectives. Most radical is the CPRE, which would abolish the tax "loophole" and rewrite the incentives to make them more applicable to local farmers, crofters or estate owners who might, for example, plant more broad-leaved woodland or be readier than the rich absentee owners of forests to leave areas like the Flow Country for tourism. The CPRE would also encourage private sector investment in areas where the returns would be better, so fitting in with the Government's intention of encouraging planting in the interests of taking land out of agricultural production. It would also introduce planning controls on forestry.

The NCC would like to see an end to the planting of conifers in Caithness and Sutherland, while the Countryside Commission suggests the establishment of a big new "amenity" forest of mixed woodland in the English Midlands – a sort of latter-day Sherwood Forest.

Where all the bodies opposed to current policies seem to come together is in their criticism of planning and consultation procedures, and their desire for much greater transparency in the control of forest operations. All believe that there are plenty of opportunities for new planting, albeit with better controls.

The Convention of Scottish Local Authorities is probably the most conservative of the bodies advocating reform. In a report published late last year, it noted that while it was politically unrealistic to advocate planning controls, long-term strategic planning for forestry was essential, as was a much more open, less secretive, consultation process to involve all interested parties.

Mr Gwyn Francis, director general of the Forestry Commission, describes the Scottish report as constructive, and admits it might be helpful if there were an "indicative" plan for forestry. He makes the point – acknowledged by most reformers – that although many conservation pressures are quite recent (the campaign to save the Flow Country, for example, is barely three years old, yet some planting began there in the 1920s) the commission itself has paid much more attention to environment issues in the last decade.

Yet one has a sense that the commission, fashioned for another age, finds it very difficult to adapt to a world where the values of the past – including the economic and strategic importance of forestry – are questioned. These tendencies may well have been reinforced by the commission's lack of a single political master. While the Scottish Office is formally responsible for the commission's operations, the Agriculture Ministry in London, the Welsh Office and the Environment Department all have forestry interests.

When disagreements occur over policy – as they did last year when a think tank report from the Environment Department recommended privatisation of the commission's planting operations and the strengthening of its remaining regulatory powers over the private sector – inactivity appears to result. That report was shelved, but the problems, and the campaign for change, remain.

THURSDAY BOOK REVIEW

Maxwell
A Portrait of Power
By Peter Thompson & Anthony Delano
Bantam: £12.95

Maxwell
The Outsider
By Tom Bower
Aurum: £12.95

Maxwell
By Joe Haines
Macdonald: £12.95

IT HAS BECOME a cliche to say that Robert Maxwell, saviour of ailing football clubs, doomed printing businesses and over-staffed national newspapers, is larger than life in every respect.

The number of hours in the day he can work, the balls he can keep in the air at once, the languages he can speak, the millions he can earn and the dinners he can eat are deservedly legendary.

It is hardly surprising, then, that one biography is not enough for a man who was "perpetually hungry" as a child in the village of Solotvino in what was then part of Czechoslovakia, and now is said to be the eighth richest person in Britain worth an estimated £700m.

It is in itself an appropriately excessive tribute that to mark his coming 65th birthday no less than 1,155 pages on Maxwell have been dumped on the bookshelves in the form of three competing biographies. He would never admit it, but the scale of the attention will appeal to his vanity even though the only book to escape Maxwell writs so far is the authorised version written by his employee Joe Haines.

Robert Maxwell will probably never realise it but he has been lucky in his biographers. The Joe Haines effort, Maxwell, is not as worthlessly obsequious as might have been expected given that Mr Haines works for the Daily Mirror (publisher Robert Maxwell) and the book is published by Macdonald (owner Robert Maxwell).

Conversely, neither Maxwell, A Portrait of Power by Peter Thompson and Anthony Delano or Maxwell The Outsider are crude hatchet jobs. Both wrestle in a balanced way with the irreconcilable paradoxes of the man and the disputed facts of his life.

Even those who owe him no favours are often loth to condemn. As Janet Hewlett-Davies, one of the series of departing Maxwell press officers of short duration tells Joe Haines: "He is an attractive monster with a touch of genius."

If it were possible to make one book out of the three, then Joe Haines's moving account of Maxwell's early struggles and his just emphasis on the achievement of Maxwell the publisher of scientific journals would be combined with Bower's detailed analysis of his business activities and the Thompson/Delano eyewitness accounts of the emergence of Maxwell the newspaper tycoon.

If forced to chose one book, it has to be Tom Bower's very unauthorised version. It is Bower who asks the tough questions and who comes closest to explaining the "mystery" of Robert Maxwell, so far as that will ever be possible.

Maxwell himself apparently "solves" one mystery for Joe Haines – the mystery of the Liechtenstein foundations which have excited the curiosity of financial journalists for a generation. No mystery and certainly no tax avoidance, says Maxwell. The family association began in 1953 when his sister Brana, a survivor of Buchenwald concentration camp, lodged a few thousand pounds there during the break up of her marriage. The Maxwell Foundation, which holds a majority stake in Maxwell Communication Corporation, the main Maxwell company, will one day, the book says, dispense its millions in support of charity – medicine and science, young entrepreneurs in the media industries and education in the cause of peace.

It is much less clear whether this was always the purpose of the foundation. If it was, why was an obsessive secrecy maintained over something that could apparently have been so easily dealt with?

Joe Haines chronicles honestly the widely different perceptions of his boss. But he unashamedly presents the Maxwell case for the defence when it comes to controversial issues like the Department of Trade's 1971 report into moves by Saul Steinberg's Leasco to take over Pergamon, and in particular the valuation of Pergamon's assets, which was highly critical of Robert Maxwell.

Tom Bowers gives a much more balanced account of the complex affair. He even concludes that the inspectors "were prim and naive about common business practices and demonstrated clear bias against Maxwell."

Bowers also unearthed Anne Dove, Maxwell's first secretary in his early buccaneering days when it was far from clear where the next £10,000 was coming from. She introduced Maxwell to many influential people through her wide range of social contacts.

"He would never want his right hand to know what his left hand was doing. Sometimes I'm not quite sure that he knew himself," says Anne Dove, who is not mentioned in either of the other two books.

It is difficult to better the Thompson/Delano view that "the story of his life and what he has really accomplished is extraordinary enough. But he seems to be unable to prevent himself from trying to improve upon it."

Of the three books, it is the Bower thesis of Maxwell the outsider who has never ceased to strive for success and acceptance that explains most, even though Maxwell himself regards it as a preposterous notion.

Tom Bower concludes: " When nature takes its course and Maxwell travels to the next world, his parting message to those left behind will be: 'You haven't understood me.' Resounding from earth will be the reply: 'But have you understood yourself?'"

Raymond Snoddy

OBSERVER

All smiles at the BBC

■It certainly wasn't money that tempted Paul Fox to return to the BBC from Yorkshire Television, and it certainly wasn't the chance to run current affairs because that is the responsibility of John Birt, the deputy director general.

If anything it was that at 63 he was missing the family atmosphere. Although that has changed somewhat since Fox left, the storm clouds appeared to have lifted yesterday. Everyone was saying nice things. Birt called him a "battleship of a man", influential in his own thinking even to the point that it had been Fox's suggestion to fix BBC2's Newsnight at a regular 10.30pm slot.

During his earlier career at the BBC he established Sportsview, the forerunner of Sportsnight, but he had no hesitation at Yorkshire Television in cutting out sport if it didn't bring in the viewers. That is why he dropped the Sunday afternoon football match and why he once chose to show a John Wayne film instead of an FA Cup replay, a decision which was vindicated by the ratings.

For the rest, he is a thoroughly conservative choice who believes in public service broadcasting and the maintenance of the present duopoly. He sees the introduction of a fifth channel as a threat to the system.

Budapest gloom

■Karoly Grosz must be unique among Prime Ministers in looking forward to a period of rising unemployment. The Hungarian leader told a group of visiting journalists from east and west in Budapest this week that he hoped it would soon be one of his problems, but it isn't yet. The number out of work is barely more than 10,000. Only when it starts to go up will there be evidence that the economic restructuring is beginning to take effect, he said.

Budapest retains sufficient superficial gloss to impress anyone who has not been there before, but it has become a sorry place for those who have been visiting it over the years. Stagnation is everywhere: in the political system because Janos Kadar, the General Secretary who has done the state much service, refuses to go now that he is too old for the job, and in the economy which declines to grow despite efforts to introduce market-oriented reforms.

None of the latter, according to the reformers, ever went far enough and now the country is almost too weak to try to go further.

Margaret Thatcher is a great hero there, as she is in much of Eastern Europe. Grosz is coming to London in two months' time to see her. What he wants – and deserves to get – is support in strengthening Hungary's relations with the European Community. In conversation he leaves no doubt that he is a radical reformer at heart; it is just that the circumstances are adverse. There is not much sign of his receiving help from the other end of the continent.

Call my horse

■Car telephones nowadays, it seems, are two a penny. Colin Saunders, the leisure park owner and up-market caravan man, has gone further and installed one on his horse.

When he goes hunting there is a flask on one side of the saddle and the telephone on the other. He says he tells few people the number, but finds it useful to make outgoing calls.

Japan's new man

■After all the nice things that Japan's amiable ambassador to the UK, Toshio Yamazaki, has begun saying about the country's economic recovery lately, his may be a hard act to follow. However, his replacement, Kazuo Chiba, 62, who arrives in London next week, is unlikely to pass unnoticed.

Fluent in English, French and Russian, Chiba led the negotiations leading to the reversion of Okinawa from the US in 1972, was minister in Moscow from 1972 to 1974 and ambassador to Sri Lanka from 1980 to 1982. Recently, as Japan's ambassador to the international organisations in Geneva, he carried Japan's colours in the Uruguay round of trade liberalisation negotiations.

The son of a diplomat, Chiba grew up in Paris in the 1930s and still recalls the growing anxiety of the French over the rise of Hitler. "The kids made brave noises but, looking back, it is obvious they were scared to death." He served briefly in the Japanese navy at the end of the war as an intelligence officer monitoring US radio reports of downed Japanese aeroplanes. "It was a terrible job. Their reports always tallied with ours, and I knew lots of the people who were killed."

A few years ago, fearing that he would never be posted to Britain, he and his wife, Keiko, took a holiday and travelled from Lands End to John O'Groats.

Little brain

■Only half a cheer for Making it Plain, the booklet issued to British civil servants yesterday telling them to use shorter words in shorter sentences.

There is a preface by Margaret Thatcher saying that she would like to see jargon and "officialese" banished for ever and a nice quote from Winnie-the-Pooh: "Long words bother me."

Yet the problem is not just the language of official communications. It is that the laws and regulations that they are meant to express are themselves unclear. There is also the matter of the excessive secrecy that surrounds government policy.

So when the Prime Minister writes, in effect, that anything that can be said can be said simply one suspects a hankering after the slogan world of Animal Farm. Plain, intelligible language ought to begin at the top; it does not.

Digging deeper

■The Roman amphitheatre discovery next to the Guildhall is growing more exciting by the day. The team of archeologists from the Museum of London has exposed the timber remains of either a lining wall or a drain at the perimeter of the arena. The wooden bits are covered in plastic sheeting to preserve them.

The team is still searching for evidence of any gladiatorial involvement in the arena. So far nothing exists to determine whether gladiators fought in Britain as they did in the Colosseum in Rome.

"We would make a big splash about it if we found anything like that," said team leader Nick Bateman yesterday. He is working under less pressure than before. The end of March deadline to complete the dig has been extended indefinitely until the Corporation of London, which is to develop the site, decides whether any of the discovery can be preserved.

Such a possibility is beginning to look more likely given the public interest. The team is planning to start digging underneath the Guildhall yard in April to expose even more of the arena.

The sad development is the disappearance of the peephole in the screen. It has been replaced by an enclosed platform which, while giving a greatly improved view and some information about the site, is not nearly as voyeuristic as the peephole.

Hungarian joke

■What does a Romanian cat carry in its mouth?

A rationing card for a mouse.

ECONOMIC VIEWPOINT: By Samuel Brittan

The economic costs of Mrs Thatcher

NEAR the end of last week's Viewpoint, I wrote: "Every time that Mrs Thatcher denies that there is a sterling link to the D-Mark or that there is an exchange rate target, there is an addition both to the probable unemployment rate and to the probable inflation rate." Little did I know how soon events were to provide an illustration.

Although I do not like agreeing with industrial pressure groups, I am afraid that Sir David Nickson, president of the Confederation of British Industry, had it spot on yesterday when he said that the decision to let sterling soar against the D-Mark presented a serious threat to British industry.

Sir David's only mistake is to address his remarks to the Chancellor, when it is so obvious that the latter has been publicly and casually over-ruled by the Prime Minister.

But on the substance: can you think of any other decision which simultaneously adds to the difficulties of British exporters and businesses competing with imports, yet lowers the defences against inflationary pay rises?

The uncontrolled appreciation of sterling above the DM3 ceiling will raise prices or reduce profit margins of British products subject to international competition in the here and now. Although I am not a balance of payments fetishist, this seems a peculiar time for such a slap in the face.

Yet, at the same time, the prevailing belief that sterling's medium-term course against non-dollar currencies is downwards is likely to be reinforced by the way the so-called authorities cave in to market movements at the first whiff of grapeshot.

If I were an employer or trade unionist, I would be even more cynical than before about any assurances that the authorities will not countenance devaluation to bail out inflationary pay claims.

A *de facto* exchange rate target that did not form part of a medium-term strategy, such as EMS membership, was always highly vulnerable (inter alia to Prime Ministerial sniping) and was ineffective in influencing longer term expectations.

The decision to uncap sterling was taken on Friday afternoon by three people, the Prime Minister, the Governor of the Bank of England and the Chancellor. We do not know the position of Nigel Lawson took on Friday afternoon. But we do know he was the main author and supporter of the D-Mark link. For instance, he said on December 9: "Keeping the pound in line with the D-Mark is likely to be, over the medium term, a pretty good anti-inflationary discipline."

We also know the Prime Minister's thinking. She has persistently repudiated any idea of an exchange rate target inside or outside the EMS, as inhibiting *her* freedom of manoeuvre. In an interview with the Financial Times on November 23, she denied repeatedly that there was an exchange rate objective of any kind.

We also know that she disliked intensely the exchange market intervention which led to the accumulation of $20bn of reserves in the last 12 months. In addition, the head of her policy unit, Brian Griffiths, tried to undermine the Chancellor's International Monetary Fund speech — in which Mr Lawson called for managed exchange rates — by saying that he was not speaking for the Government.

The Prime Minister's latest parliamentary outburst, when she repudiated both further intervention and interest rate cuts and virtually invited overseas holders to bid up sterling, should not have taken any one by surprise. For both her views and her unwillingness to stick to any agreed official brief on these subjects have been obvious for years.

On the other hand, by uttering her remarks when she did, the Prime Minister must have known that she would be seen as trying to destroy the whole of the Chancellor's carefully constructed exchange rate strategy. Her remarks go far beyond anything agreed at the Friday afternoon meeting and far beyond anything the Bank of England had in mind. All the Bank wished to do was to increase its freedom in intervention tactics and interest rate changes. The Bank did not expect to be told not to intervene and not to reduce interest rates in a parliamentary answer.

In a sense the Bank has brought these embarrassments upon itself. For although it has a greater veneer of discretion in its public utterances, its attitude to the DM3 ceiling was clear to anyone with the most casual contact with that institution or even with the City columns. On the one hand, the Bank hardened the commitment by emphasising the rigidity of the ceiling and operating within a range of a few pfennig. On the other, it canvassed its scepticism about policy to anyone who would listen.

The Bank is fundamentally a short-term tactician, which does not like to tie itself down by any goals, objectives, aims or purposes. In the British system, the bank is an operator and technical adviser; for example, on the recent increase in interests rates which aggravated the upward pressures on sterling.

The Chancellor is paying heavily for his observance of the absurd pre-Budget purdah system — which meant that the only sources of enlightenment on official policy were No 10 and the Bank of England. For one per cent of what Lord Young has spent on advertising, the Chancellor could have offered the market rate of pay to independent financial advisers who would have given him views alternative to those of the Bank.

The DM3 link was not the only possible nominal framework. (By nominal I mean one which will allow for reasonable growth but not accommodate inflation.) Monetary targets have been tried. A nominal gross domestic product objective was tried half-heartedly. But in the last year or two the sterling/D-Mark link was the only game left in town and now there is no game left at all.

An economist from the planet Mars who wanted to rationalise Mrs Thatcher's attitude might say that she wanted a repeat of the 1979-81 experience. This would mean that she was dissatisfied with the way inflation had become stuck at 4 per cent and wanted an over-valued pound and a new recession to get inflation down to zero.

But that would be to rationalise far too much. The probability is that sterling will shoot up to a level which will shock the Prime Minister and her business advisers just as much as the cost of currency intervention. We may then have inward exchange controls; for instance, Germany and Switzerland have in the past put taxes on overseas-owned bank deposits. But the odds are that these will not prevent sterling rising to an unsustainable peak and then collapsing despite panic increases in interest rates, all reminiscent of the dollar switchback. Then Britain will be in its next inflationary recession. Time and chance, and even a long-overdue Cabinet revolt, might soften the outlines. But these are the dangers we face.

What went wrong with the policy of holding sterling at around DM3? One of the oldest lessons in currency policy is that if you want to estimate the size of the next serious inflow or outflow, take the largest estimate the central bank cares to mention and multiply by 10 or 100. If you are afraid of large numbers, running into the hundreds of billions, do not embark on intervention in the first place.

The Prime Minister dislikes intervention as a risky waste of money. But the effect of it most disliked by her kitchen Cabinet advisers is that when the Bank of England buys dollars or D-Marks with pounds, it adds to the money supply. This is what lay behind Mrs Thatcher's reference to intervention being inflationary.

This attitude betrays an extremely primitive form of monetarism which is simply mesmerised by numbers. When there is a run into a currency, it means that the demand to hold it has also risen. So long as the extra demand is there, more money can be issued without an inflationary effect, so one does not have to go bogged down in arguments about whether intervention can be 'sterilised' by gilt-edged sales.

The UK has had problems of overstrong sterling before — under Denis Healey in 1977 and under the present Government in 1980-81. On the two earlier occasions I did favour uncapping sterling — not for reasons of mechanistic monetarism but because the UK had double-digit inflation, no exchange rate framework and a need for a profound anti-inflationary shock.

Obviously intervention is only a short-term expedient. But it could have bought time until the Budget, especially if the Bank had operated in a wider range.

In the longer run, if sterling is linked to the D-Mark and there is confidence that a parity will be maintained, British interest rates will have to approximate to West German ones. If Britain and West Germany are part of the same currency area, the rate of UK inflation in traded goods and services ultimately cannot exceed the German one. This crucial link is missed by those who complain that interest rates would have had to be "too low" if the D-Mark link had continued.

The reason why 9 per cent base rates may now be insufficient to restrain inflation is that borrowers and investors set it off against an expected inflation rate of 4 or 5 per cent. In other words, the exchange rate strategy lacked credibility. Instead of reinforcing it, the Prime Minister has kicked it away, storing up endless trouble for the future.

Of course, there can be some divergent cost trends within a currency union. Asset prices (and pay if it is allowed to) will rise faster in Upper Bavaria than in Schleswig Holstein or Surrey than in Northumberland. This is not inflation but part of the adjustment mechanism within a currency region. Problems caused by these movements have to be tackled by structural policy, for example, by limiting absurd subsidies such as mortgage interest relief rather than by overall monetary control.

As the one member of the Cabinet in a position to stand up to Mrs Thatcher, Nigel Lawson faces an awesome responsibility. For he is, and is known to be, the true architect of the last Conservative victory — far more so than any of the rival advertising agencies with whom the Prime Minister was so preoccupied. His resignation or dismissal is something that Mrs Thatcher would not gladly contemplate.

Yet the Chancellor is also the main sufferer from her arbitrary methods, having seen his whole economic strategy kicked away in a single Commons answer. He is now a principal victim of the Prime Minister's endless "I will not have", "I will not allow" and "I insist."

Mr Lawson might prefer something intellectually more subtle than demonstrating that he is not the Prime Minister's poodle. But history may give him no choice. Far more is at stake than anything to do with exchange rates or currency inflows.

Lombard

The real winners in 1992

By Guy de Jonquieres

WHICH ARE Europe's most "European" companies? Many people would say US concerns such as Ford and IBM, which in the late 1960s seized the opportunities offered by the removal of intra-Community tariffs to rationalise their operations to benefit from the scale economies of the entire common market.

Twenty years on, Europe is poised for another important step towards economic integration. Whether or not the Community achieves its plan to create a single market by 1992, other powerful forces are already attacking national barriers to trade and investment and forcing European countries to open their economies to the world.

Who will be the winners this time? Much of American industry seems too preoccupied with competitive problems at home to repeat its challenge of the 1960s and 1970s. The Japanese are strongly entrenched in key markets but do not yet attach a high strategic priority to Europe. The US has attracted most of their foreign manufacturing investments and many of their European plants amount to no more than a token presence.

German manufacturers stand to do well — provided their national economic policies do not constrain demand elsewhere in the Community. However, perhaps the most intriguing possibility is that the real star performers on the European stage may turn out to be complete ingenues — or at least understudies.

Carlo de Benedetti was virtually unknown outside Italy 10 years ago. Yet by dint of audacious takeover tactics which no well-entrenched multinational company would dare employ these days, he has shown that those with the *chutzpah* to jump national barriers can reap rich rewards. Less flamboyantly, Sweden's Electrolux blazed a similar acquisition trail in the early 1980s. And there are others waiting to have a go.

All these artistes are outsiders — de Benedetti from the Italian and European financial establishments, Electrolux from the Community. Unencumbered by historical baggage, impatient with the status quo and perhaps slightly bothered by a sense of inferiority, they have nothing to lose by challenging the traditional order.

Another category of "sleepers" may be companies, such as some of Europe's regional banks, which have lived comfortably in narrow markets but now face fiercer competition. Because the more alert ones know their independence, even survival, is at stake, they have powerful incentives to search for new opportunities.

Ironically, however, some companies which consider themselves most "European" may be vulnerable to more open markets. Those which have thrived on their ability to penetrate closed national markets, where local competition is tame, may be ill-prepared to cope with rapidly-changing conditions once the barriers go. Some insurance industry experts believe certain UK insurers which have long-standing European networks may face difficulties on this score.

The Dutch Philips electronics group, Europe's biggest multinational manufacturer, faces a slightly different problem. Despite recent efforts to modernise, it still has a highly fragmented structure built up when high tariffs required it to replicate a full range of operations in every country. Philips admits it has 70 plants too many in Europe. Its dilemma is that closing them could antagonise governments which it has long encouraged to treat its local subsidiaries as "national champions" eligible for highly profitable business.

Even some multinational companies which have positioned themselves to get the most out of the common market may be a shade too complacent. Though they may have streamlined development and production, some have also made handy profits from differences in national pricing structures which should disappear in a single market.

They are also likely to find the time and money they have invested to get round roadblocks at frontiers are no longer a commercial asset once those roadblocks fall. That may be true, too, of de Benedetti and other pan-European entrepreneurs. It is an interesting question how far their ability to jump barriers is at the root of their competitive advantage, and how far it is just one aspect of a natural talent for spotting opportunities where others see only obstacles.

Letters to the Editor

Defending the Commission

From Mr A. Arnull.

Sir, Dr A.H. Hermann's article (March 3) makes up in invective what it lacks in coherence. The claim that the Commission and European Court treat the letter of the EEC Treaty with disdain will not withstand a moment's scrutiny.

There is no doubt that the Court's ruling in the *Philip Morris* case does give the Commission limited powers to intervene under Article 85 EEC when one company acquires a shareholding in a competitor. That ruling required no stretching of the terms of Article 85. Moreover, the Commission's right to take action derives directly from the Treaty, the scope of which it is not the Member States' responsibility to determine. If the Court's ruling makes them uncomfortable, they have only to grant the Commission powers specifically designed to regulate mergers which adversely affect the proper functioning of the Common Market. The Commission has been asking for such powers since the early 1970s.

Dr Hermann sees no great difference between the way development risks defence is treated in the Product Liability Directive and in the Consumer Protection Act 1987. One of the problems with section 4 (1)(e) of the Act is that it does not make it clear that the development risk defence is only available where the defect could not have been discovered when the product was put into circulation. This creates the danger that the Act will be interpreted in a manner which is inconsistent with the Product Liability Directive to which it was intended to give effect.

It is true, as Dr Hermann points out, that national courts have a duty to construe their national legislation in accordance with any directives it was adopted to implement. However, this duty, even though enacted in the 1987 Act, is a flimsy safeguard for individual rights and the uniform application of EEC law, as the recent decision of the House of Lords in *Duke v GEC Reliance* demonstrates.

Dr Hermann also questions the correctness of the Court's decision that a directive on minimum standards for battery hens should be based on Article 43 of the Treaty and not on Article 100 which requires unanimity. The increase in cases before the European Court concerning the correct legal basis of Community legislation is due to the frequency with which measures are now being put to the vote in the Council. For many years, the Luxembourg Compromise of 1966 meant that this step was rarely taken with the result that measures were only adopted when a consensus emerged. In practice, it therefore made little difference what legal basis was cited.

This has now changed. It is becoming increasingly common for the Council to put draft legislation to the vote. The choice of legal basis is therefore crucial, for it determines whether the measure can be adopted by qualified majority or whether unanimity is required.

If the internal market is to be completed by 1992, maximum possible use must be made of Treaty provisions providing for the former. This is because qualified majority voting is essential if the Community's decision-making process is to be made to function more efficiently. We should therefore be grateful that the Commission understands the importance of testing the limits of those provisions.

Anthony Arnull,
Faculty of Law,
University of Leicester,
LE1 7RH

What GCSE means to employers

From Mr Duncan Heenan.

Sir, The Government is in the forefront of the movement to market everything as if it were cornflakes, and it is surprising therefore that it has done very little to let employers know what the new GCSE examinations mean. The changes from the old system are significant, and this summer a generation of school-leavers will face the blank incomprehension of employers, unless the latter happen to have school-age children of their own.

Political leaders seem to spend large sums of public money explaining why they are not spending other sums, so it should not be too expensive to explain something of such vital importance to young people's prospects. Or could it be that the Government do not themselves fully understand the implications of a GCSE qualification?

Duncan Heenan,
Spring Cottage,
21 Gotherington Lane,
Bishops Cleeve,
Cheltenham,
Gloucestershire

Management needs commitment

From Mr Colin Mitchell.

Sir, Michael Skapinker outlined a proposed code on management training (February 26).

Firstly, as one of the participants in the Charter Group Initiative I was dismayed to learn that the clause, requiring companies to allocate 10 days per year per manager to training, was about to be removed.

Secondly, almost without exception, those attending the plenary session organised by the CBI to discuss the draft code were personnel managers. How this body of persons expects to achieve anything useful without the input of ordinary line managers beats my imagination.

Finally, if the Charter Group reneges on the 10 day commitment, then this company will withdraw from the Initiative. We have no intention of getting involved in a talking shop run for the benefit of personnel managers employed by Britain's largest companies. The message is simple — get committed or get out!

Colin Mitchell,
Vickers Information Technology,
Wrights Lane, W8

Plenty of factory space in the north-east — but it needs developing

From Mr N. Blezard and Mr J.G. Irwin

Sir, Your article "North-east is unable to meet demand for factories" (March 7) was useful in highlighting an acknowledged problem, but missed a number of important points.

A sustained rental growth cannot be artificially achieved. The level of rentals reflect what the marketplace can accept after the cost of overheads such as transport, labour, rates and the size of the local market.

Our firm can confirm that there is a shortage of new large factories especially where financial assistance is at its maximum. There is no shortage of existing factories.

At the present time, we at Storey Sons & Parker have a total of over 1.5m sq ft available on our register of industrial properties. We have over 50 units in excess of 10,000 sq ft on the market. The size and area range of our properties is significant and covers the whole region.

During the past year we have disposed of large (in excess of 250,000 sq ft) factories to developers who have refurbished them as units of a size suited to market demand.

Your article referred to a number of industrial requirements which meant companies were being turned away by the Local Authority or other promotional agencies involved. There may well have been very particular reasons why the companies concerned would not locate elsewhere in the north-east or would only take accommodation from a Local Authority or other promotional agency. It would appear to me, however, that their requirement could have been met from properties currently on our books.

Certain agencies have been trying to increase rents as much as possible in recent years. This fact has not been widely advertised and is causing concern to many tenants. But before the rents can rise, second-hand properties must be occupied and a true demand set in motion, which can be met with confidence.

The shame is that more companies fail to buy freehold and put down firm roots in a beautiful part of the country where the standard of living is high — and industrial land can be bought at £10,00 an acre freehold and not £1m per acre as is the case in certain areas of London.

N. Blezard and J.G. Irwin,
Storey Sons & Parker,
Higham House,
New Bridge St,
Newcastle Upon Tyne

From Mr A. R. Perry.

Sir, I question the facts contained in Mr Hamilton Fazey's article (March 7).

This company has considerable experience in developing industrial space in the north-east and to our certain knowledge there are more vacant units than suggested in the article.

Mr Hamilton Fazey is, however, correct when he reports Government agencies are almost the only current developers, but that is the result of too much Government intervention. We, like other independent developers in the region, are always able to develop profitably but not in competition with the subsidised agencies.

The Government ought not to need persuading, but the remedy is clear — stop the unfair competition from Government subsidised bodies, using taxpayers money, and private enterprise and market forces will remedy any deficiencies which might arise.

A. R. Perry,
Property Security
Investment Trust plc,
Fetcham Park House,
Lower Road,
Fetcham,
Surrey

FINANCIAL TIMES

Thursday March 10 1988

Lhasa tense as police patrol streets

LHASA residents said the city was tense but quiet on the eve of Thursday's anniversary of the start of a mass Tibetan uprising against Chinese rule in 1959, agencies report from China.

A Western source said armed police and cars were patrolling the city yesterday in an apparent show of force.

He said a convoy of 120 trucks, each carrying at least 20 men armed with submachine-guns, toured the city apparently to deter Tibetans from staging further anti-Chinese demonstrations.

Speaking by telephone from Lhasa, he said he had heard persistent reports from what he called reliable Tibetan sources that as many as 16 monks had been killed when the security forces stormed the Jokhang Temple on Saturday to quell anti-Chinese protests.

A Tibetan source in Lhasa reported similar police movement following Saturday's uprising, in which Buddhist monks and thousands of Tibetans who oppose Chinese rule stoned police and built bonfires across the city.

Foreigners returning to Peking the day after the rioting said up to nine people were killed.

A senior Tibetan official said in Peking yesterday that the rioting, by what he called "a small number of separatist elements", was a serious political incident.

He added that Peking had been lenient with Tibetan nationalists who rioted last October. Tibet would not be allowed to break away from China, he said.

State television, which reported the meeting, showed film of the rioting for the first time.

The Panchen Lama, Tibetan Buddhism's second-highest leader, appeared on television last night to denounce those who participated in Saturday's violence.

"I represent the Tibetan comrades here and myself in expressing my indignation . . . at the violence committed by the small numbers of 'separatists' during the riot."

Robert Thomson, recently in Lhasa, on the anniversary of the protest against China's rule

Tibet split between many flags

ABOVE ALMOST every Tibetan home, multicoloured prayer flags sprout like spiritual television aerials. The recent new year brought a changing of the flags, and, for the first time, a few villagers were encouraged to put the Chinese national flag amidst the crop of Buddhist colours.

The emblems do not sit comfortably together, as a violent pro-independence protest last Saturday proved. Police were patrolling Lhasa in force yesterday to deter Tibetans from staging further demonstrations today, the anniversary of the 1959 mass uprising against Chinese rule.

But local Communist party branches have urged village leaders to show their national as well as their religious pride. At the same time, prayer flags have begun appearing above the homes of government officials, who, in the past, feared that such an act of faith would cost them their jobs.

Tibet is in transition. New Communist party policies have brought more freedom, more tolerance and more protests. Restrictions remain on numbers of monks in monasteries, and the party teaches that religion is an opiate, yet the enthusiasm for Buddhism and the Tibetan bitterness towards the Chinese is still strong, much to the dismay of Beijing leaders, who presumed that they could douse both with economic reform and hefty subsidies.

Saturday's protest, in which as many as nine people died, will confirm for thoughtful Communist party officials that the problem in Tibet is cultural and racial, and not confined to the few "splittists" pilloried in the Chinese media.

The difficulty in publicly admitting these facts is that they undermine China's claims on the region. These are not contested but are still a sensitive matter – criticism of Chinese rule or of the human rights record is labelled as "meddling in our internal affairs."

Perhaps most disturbing for the party is the influence of the Tibetan spiritual leader, the Dalai Lama, both within the region and internationally. The cult of the Dalai grew stronger as confidence grew that the more relaxed policies would last. It is impossible to walk a Lhasa street without pleas for "Dalai Lama picture, Dalai Lama picture," and the temple icons and altars each day bear more photographs of the serene and smiling Dalai, who fled to India during an uprising in 1959.

Party officials have kept his memory alive by blaming the "Dalai Lama clique" for protests last October, and claiming that he has sent hit teams, spies and the like to Tibet, all of which tend to complement the image of a party under siege. Truth was an early casualty on Saturday. Official reports first mentioned the protest, which lasted most of the day, almost in passing, and subsequent releases have focused on injured police without reporting civilian casualties.

Major concessions to the truth were made by the Peking-blessed Panchen Lama, second in spiritual rank, in a speech last month – he admitted police opened fire last year and condemned official ignorance of Tibetan culture. It was a sign that broad-minded leaders such as the party general-secretary, Zhao Ziyang, were winning arguments on Tibetan policy.

The key question is whether they will go on winning those arguments in the wake of the most recent demonstration. The official newsagency, Xinhua, has condemned Lhasa officials for their leniency. Tibet is a sensitive issue within the leadership, and Hu Yaobang, dumped as party chief early last year, was criticised, among other things, for his over-eagerness to admit Chinese mistakes in the region.

Even before the protest, monks were testing the tolerance. Many had boycotted the Mon Lam prayer festival which began two weeks ago and ended in violence on Saturday. Some monks were concerned that there would be trouble, others just did not want to participate in the party-approved ceremony.

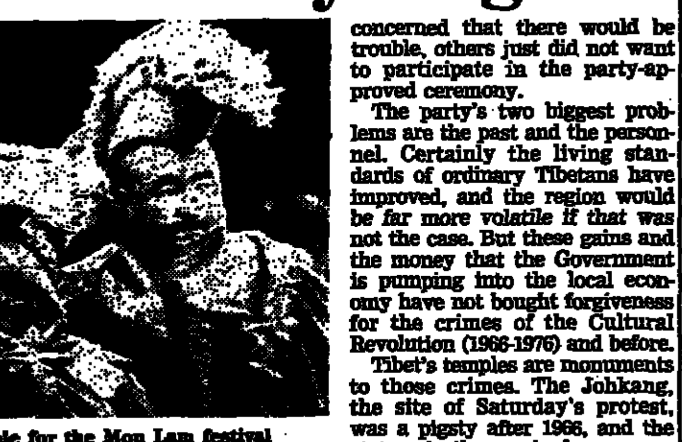
The party's two biggest problems are the past and the personnel. Certainly the living standards of ordinary Tibetans have improved, and the region would be far more volatile if that was not the case. But these gains and the money that the Government is pumping into the local economy have not bought forgiveness for the crimes of the Cultural Revolution (1966-1976) and before.

Tibet's temples are monuments to those crimes. The Jokhang, the site of Saturday's protest, was a pigsty after 1966, and the statues in the repaired rooms are new. The ruins of the Ganden (Joyous Mountain) monastery, about 70 km from Lhasa, surround new buildings that house about 300 monks, down from 3,300 before the 1949 revolution.

History, like most of the monastery, has been smashed at Ganden. Monks explain that the People's Liberation Army dynamited the monastery after the 1959 uprising, while Chinese officials blame the damage on a frenzied attack by local villagers under the influence of Mao Zedong thought during the Cultural Revolution. The official version does at least concede that the body of the founder of Tibet's brand of Buddhism, Tsong Khapa, which had been preserved for five centuries, was thrown on to a rubbish heap at Ganden in the late 1960s.

The Panchen Lama outlined a few of the personnel problems in his speech. Many Chinese officials are unable to speak Tibetan and have little understanding of Tibetan culture. They are bemused by the elderly pilgrims twirling prayer wheels which accumulate mystical merit points with each turn, and by the nomads who burn sweet-smelling juniper in the belief that the smoke carries their prayers to the beyond.

Zhao Ziyang and friends want to promote more Tibetans – at least those who do not question Chinese sovereignty – yet numerous local officials only possess survival skills that have seen them through the periodic purges, and lack the ability needed to cope with the complexities of Tibet.



Monks outside Jokhang temple for the Mon Lam festival

CHRONOLOGY OF CHINESE RULE IN TIBET

1949 – Chinese revolution
1950 – October: Communist troops enter Tibet
1955-6 – Khampa tribesmen rebel against Chinese forces
1959 – March: Anti-Chinese uprising in Lhasa, thousands die. Dalai Lama flees to India.
1966 – Chairman Mao's Red Guards enter Tibet. Religious buildings destroyed. Persecution of Buddhists intensified
1979 – China initiates new Tibet policy, loosens central control
1982 – April: Tibet disbands agricultural communes
1987 – September: Monks arrested for demonstrating against Chinese rule; Dalai Lama visits Washington.
October: Further protest by monks; six die according to official reports; Tibetans claim 19 die. Foreign journalists expelled.
1988 – March 5: Anti-Chinese riots flare up.

British regulatory chairman defends structure

By Barry Riley in London

SIR KENNETH BERRILL, the outgoing chairman of the UK Securities and Investments Board, claimed yesterday that the complexity of the new system for regulating investment markets was an inevitable consequence of the structure of the Financial Services Act.

Breaking a near two-week silence since the news that the British Government was replacing him with Mr David Walker of the Bank of England, Sir Kenneth insisted: "The Act in all its detail is a very recent expression of this Government's policy. What you have got is something that was quite clearly thought about."

The SIB's original draft rulebook was much shorter than the final version, he said.

But officials at the Department of Trade and Industry compared it with the requirements of the Act and said there were many gaps.

According to Sir Kenneth: "They said 'we shall not be able to advise ministers that you are capable of being designated unless it does, in the view of our lawyers, meet all the requirements.'"

In imposing the same conditions on bodies junior to the SIB, such as self-regulatory organisations and recognised professional bodies, the SIB was following this official line.

"We have a very long checklist which mirrors the requirements the DTI made of us which we have to make of the others," he said.

Sir Kenneth, who has been widely criticised by City of London practitioners for the alleged excessive bureaucracy and lack of flexibility of the SIB's approach, said that he had suffered from a current "peak of resentment" at the burdens imposed by the new regulatory framework.

In a year's time the system would be very largely bedded down and would be accepted.

But investment practitioners had not focused on the problem until it had really hit them. "It's human nature. Your change becomes their headache, they are very resentful about it, and they are looking round for something to blame."

Mr Walker would have to build on the existing foundations by ensuring that the SIB would be recognised as commanding the principal position of authority within the new framework of regulation.

"I have no doubt that in his time the SIB will succeed in the next stage of its history," he said.

"I am proud of the SIB rulebook, developed as it has been in such a short space of time," he said.

Background, Page 11

THE LEX COLUMN

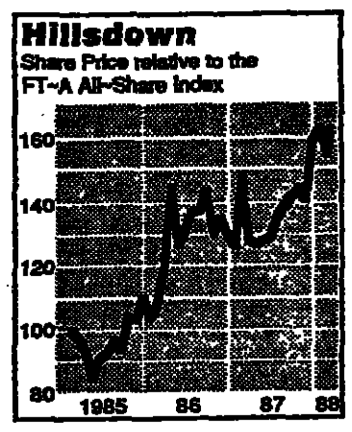
Not enough food for the bears

Hillsdown's remarkable rise continues: doubled profits again last year, and the company's market value, three years after flotation, bigger than Woolworth's or Plessey's. From the investor's viewpoint, though, Hillsdown remains a conundrum. As the company insists, much of its growth comes from volume growth and higher margins; but much also comes from frantically rapid acquisitions, financed through high gearing and the lavish use of paper. Is this a stock for a bear market?

Its performance in the crash illustrates the puzzle: first a 10 per cent drop relative to the market, then a 20 per cent recovery. It might be thought that, as a basic food company, Hillsdown would be defensive. But close to half last year's profits came not from food but from furniture, timber, house building and the like, and the pace of acquisition – fifty purchases last year – makes the future shape of the business quite unpredictable. Much of the basic food business, too, is subject to cycles of its own, and poultry and eggs, for instance, could be in for a nasty year.

Whereas organic growth last year is claimed to have run at 30 per cent, it is obvious that, to sustain its record, Hillsdown must keep acquiring. But while the market will not take kindly to another big slug of paper, gearing at 94 per cent is uncomfortably high; and though cash flow is running at £200m a year, most of that is needed for the capital expenditure to sustain internal growth.

All the same, the market seems to be giving a broadly average rating to earnings growth well above average – another 20 per cent this year, say. Other things being equal, this mathematically points to price outperformance. The risk is, though, that the market will come to see Hillsdown as just another conglomerate; and its forecast multiple of 11, after all, is three points above that of Hanson.



move towards sourcing in the UK, it can still expect another increase in profits overall of 10 per cent in 1988 as the steady trickle of benefit from its investments and closures flows through, and as its defence operations reach full production. While a yield of 6 per cent and a p/e of 8.5 suggest that the share price is too low, it is not low enough to prompt a bid for a company that seems to be coming along nicely on its own.

Markets

If yesterday's dithering in the equity market showed anything, it was recognition of how the authorities have painted themselves into a corner between now and Budget day. If sterling goes on up through DM3.10 – and it is through DM3.08 already – companies like ICI stand to get hurt. In that case the market will want to know where it stands, which means the authorities giving some indication of what level of sterling they are prepared to defend. But to the extent that this relates to monetary or fiscal policy, it must wait until the Budget is out of the way.

The right kind of Budget, of course, might bring yet more foreign money into sterling. But it might then be open to the Chancellor to argue that, with a tight exchange rate policy and the PSBR under control, an interest rate cut could be justified. Mrs Thatcher notwithstanding, it looks as if the interest/exchange rate seesaw is still in full swing.

GKN

Everybody agreed yesterday that a pre-tax profit of £146.5m from GKN was surprisingly high, but few could agree on the reason for it. The market quickly latched onto a £9m profit on property disposals, and judged the original 17p rise to 341p to have gone too far. But careful examination of a tightly packed 19 page results statement revealed a confusingly big collection of unusual and extraordinary items which appeared largely to cancel out, leaving old fashioned good performance as the main explanation for GKN's figures.

The extraordinary strength in the motor components market, especially in the UK, gave the main extra boost to profits, and had the happy side effect of mopping up past UK tax losses. The danger is that such fine times could mean a sharper fall when the turn comes, although with all the signs pointing to further rises, this year at least seems safe. Even though GKN may not benefit as much as its less international rivals from the

Swedish Match

The Stora bid for Swedish Match must bear out the prejudices of investors who are already disinclined to buy shares in exotic markets with fancy voting structures. The owners of the majority of Swedish Match's equity have barely a vote between them and therefore have little choice but accept the bid from Stora. If the price was as good as the industrial arguments that the companies advanced yesterday for the deal, they might not mind. However, a 30 per cent premium over a price which itself did not reflect Swedish Match's unexpectedly strong profit forecasts for both this year and next does not look generous. And the fact that the Wallenberg family controls over 85 per cent of the votes in Swedish Match and is also a major shareholder in Stora scarcely inspires confidence in the valuation.

BP

The Government has left the Kuwaitis in no doubt of its opposition to any further increase in the KIO's BP stake, so the tell tale surge in BP turnover in the last two days suggests that either Kuwait is playing a game of open defiance, or that someone else has joined in. There is probably some truth to both explanations. The KIO seems to have bought only 5m of the 70m or so shares traded in the last two days. This would leave the Kuwaitis a few million shares short of the 20 per cent stake which BP regards as the intolerable maximum, and if they plan to stop before reaching that level the civilities may be maintained. Meanwhile much of yesterday's activity was made up of genuine investment demand, a good deal of it coming from US investors, who are waking up to the fact that the relative weakness of the UK market has pushed BP and Shell to a seven year low relative to the US majors.

Afghans accuse Pakistan of wasting time at talks

BY WILLIAM DULLFORCE IN GENEVA

PAKISTAN was manoeuvring to force the Geneva talks on the withdrawal of Soviet troops from Afghanistan into stalemate, Mr Abdul Wakil, the Afghan Foreign Minister, said yesterday.

However, he insisted that the Kabul regime would not discuss in Geneva the formation of the coalition Afghan Government. Pakistan has made this the condition for signing the withdrawal agreement.

Mr Wakil said that Afghanistan would also not agree to the US requirement that the deal should provide for "symmetry" between the cut-off of US aid to the Mujahideen guerrillas and a halt to Soviet aid to Kabul.

Kabul's chief negotiator called a press conference to spell out this firm line as the UN-sponsored talks dragged into their 10th day and diplomats began to doubt whether an agreement could be signed in time for the Soviet forces to start their pullout on May 15.

Mr Wakil said no foreign state could dictate terms for the formation of a government to its liking in another state. At no time since the military regime of General Zia ul-Haq was installed in Pakistan, had Afghanistan insisted on rthe introduction of democratic rule to its liking in Islamabad, he added.

Halting US aid to "terroristic groups" was totally different from stopping Soviet state-to-state assistance to Afghanistan, he said. If the US insisted on symmetry, Afghanistan would raise the question of US military and financial aid to Pakistan.

Mr Wakil claimed that the flying visit to Islamabad last week by Mr Zain Noorani, the Pakistan deputy Foreign Minister, for talks with his Government and opposition parties, had been a manoeuvre to waste time. Mr Noorani had returned empty-handed.

Pakistan had stressed at previous sessions of the UN-sponsored talks that, once the key issue of a timeframe for the Soviet pullout had been agreed, it saw no obstacles to completing an agreement in Geneva, Mr Wakil said.

Last week it was agreed that the Soviets would begin withdrawing 60 days after signature of the agreement.

Kohl hopeful on EC tax plans

BY DAVID BUCHAN IN STRASBOURG

THE European Commission's controversial proposals to harmonise indirect taxes will figure prominently in ministerial negotiations in the coming months, Chancellor Helmut Kohl of West Germany said yesterday.

Speaking to the European Parliament as President of the EC Council of Ministers, Mr Kohl said the Commission had "correctly shown that a single internal market required a narrowing of tax differentials."

Britain, for one, is sharply opposed to making its system of raising value added tax conform with that of other member states.

Mr Kohl said he would also use the remaining 3¼ months of the West German presidency to encourage progress on liberalisation of capital movements, public procurement, financial and insurance services and transport, on harmonisation of technical standards and on mutual recognition of university degrees.

A new directive on non-life insurance, agreed last December by the EC Council after years of wrangling among member states, may in fact be further delayed by the European Parliament's request for more consultation.

Kohl: seeking progress

Reporting to Euro-MPs on the results of last month's Brussels summit agreement on budget reform, Mr Kohl said the Community had shown the rest of the world that it could make its contribution to reducing the weight of agricultural surpluses on the world market.

Other countries should reciprocate in the current Uruguay Round of the Gatt trade talks, he said, adding that the US Congress should also stop considering protectionist measures

Returning to the Community's internal agenda, the West German leader said it was impossible to have "a real consistency" in economic and monetary policy without tax harmonisation.

But the difficulties in both these areas were underlined by Mr Jacques Delors, the EC Commission President, who said there were "big disagreements" between member states on tax and fiscal issues and wide differences still in the way they managed their currencies.

"Only five of the 12 member states fully participate in the European Monetary System," said Mr Delors, referring to sterling's position outside the EMS and special arrangements for some other currencies.

The European Council and the Parliament are now to embark on a two-track negotiation – one on the 1988 budget and the other on an "inter-institutional agreement" on the 1988-92 budget framework established at the Brussels summit.

Lombard, Page 19

WORLD WEATHER

		°C	°F			°C	°F			°C	°F			°C	°F
Ajaccio	S	11	52	Dubrovnik	C	5	41	Malta	S	12	54	Rhodes	F	15	59
Algiers	F	14	57	Edinburgh	F	9	48	Manchester	R	8	46	Rio de Jo	C	32	89
Amsterdam	C	5	41	Faro	S	18	64	Manila	C	32	90	Rome	C	12	54
Athens	C	12	54	Florence	S	9	48	Melbourne	S	23	73	Salzburg	Fg	-1	30
Bahrain	C	21	70	Frankfurt	C	4	39	Mexico City	C	28	73	San Francisco	C	10	50
Bangkok	F	33	91	Funchal	F	16	61	Miami	R	23	74	Seoul	C	7	45
Barcelona	S	14	57	Geneva	C	5	41	Milan	S	10	50	Singapore	R	31	88
Beirut	R	16	61	Gibraltar	S	16	61	Montreal	F	-3	27	Stockholm	C	1	34
Belfast	R	7	45	Glasgow	C	8	46	Moscow	C	1	34	Strasbourg	C	0	32
Belgrade	Sn	2	36	Guernsey	C	9	48	Munich	F	-1	30	Sydney	C	24	75
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Readings at mid-day yesterday
C-Cloudy D-Drizzle F-Fair Fg-Fog H-Hail R-Rain S-Sun Sl-Sleet Sn-Snow T-Thunder

Swedish Match offer

Continued from Page 1

(after financial items) of SKr628m last year, has interests in the flooring, doors, kitchens, consumer products, packaging and pulp chemicals businesses.

Folowing the acquisition of Pegulan, the West German flooring company, in 1986, 35 per cent of group sales come from flooring. Profits from this division have jumped from SKr203m in 1986 to SKr341m last year.

However, Swedish Match has faced problems in consumer products and has had to restructure its match and lighter activities by closing factories, investing in new consumer products and new production technology.

"It has entailed higher costs than we expected," said Mr Hans Larsson, Swedish Match chief executive, who believes the low profits earned in 1986 and 1987 are a thing of the past.

Last spring, Swedish Match acquired Wilkinson Sword,

Mr Bo Berggren said that, while he believed that Swedish Match's profit of SKr144m for consumer products last year was too low, he was satisfied that the "right initiatives" had been taken to revitalise the division

Strasbourg blocks Israel

Continued from Page 1

booming Israeli exports of cut flowers.

Israel's trade deficit with the Community has widened sharply over the past three years, from $1.76bn in 1985 to $2.76bn in 1986, the last full year for which final figures are available.

Prime Minister Yitzhak Shamir, perennially suspicious of Western Europe's supposed favouring of the Arab cause over Israel's interests, had denounced earlier delays imposed by the European Parliament

INTERNATIONAL APPOINTMENTS

FINANCE MANAGER c£30,000 + Car City	Highly profitable International market leader wishes to appoint a qualified accountant, aged 30-45, in this challenging, senior position. Front-line operational experience gained in a manufacturing or industrial environment is essential. Business planning, reporting and analysis and operational review are included in the specification. Ref: AC.214
CORPORATE FINANCE To £27,000 City	Exciting opportunity for young Chartered Accountant in the corporate finance arm of a leading US bank. Working in a small team you will be responsible for investigating potential flotations, mergers and acquisitions as well as dealing with client liaison. Outstanding prospects. Ref: JPB.32
GROUP FINANCE c£26,000 C.London	Prestigious advanced technology group offers influential role to ambitious and personable graduate ACA aged 25-30. This challenging role will embrace group reporting, financial analysis, systems development and project management. A high level of personal commitment together with technical flair will ensure rapid career development. Ref: MJH.319
RECENTLY QUALIFIED To £25,000 + Mts C.London	Major international bank currently has an excellent opportunity for a young recently-qualified accountant. As systems accountant your primary responsibility will be systems implementation, plus various special projects. Prospects are outstanding for ambitious, team-orientated individuals, eager to build a career in the financial sector. Ref: AC.267
BUSINESS REVIEW c£24,000 + Car London	Our client is a fast expanding industrial group which now requires a young Chartered Accountant to join a high calibre team. Responsibilities include systems review, post acquisition studies and investigations. A senior line financial appointment will follow in the medium term. Ref: AN.101
LINE MANAGEMENT c£23,000 London	Blue-chip multinational seeks a recently qualified accountant wishing to gain staff responsibility. Head Office based, your duties will include: profit plans, forecasts and monthly reports. Computer literacy is essential as the successful applicant will be involved in the development and enhancement of computer systems. Ref: JL.348

HUDSON SHRIBMAN
THE COMPLETE FINANCIAL SELECTION SERVICE
Vernon House, Sicilian Avenue, London WC1A 2QH. Tel: 01-831 2323

ICI chairman appointed to NYSE committee

MR DENYS Henderson, chairman of Imperial Chemical Industries (ICI), the UK's largest chemicals group, is to become the first representative of British industry to join the Listed Company Advisory Committee of the New York Stock Exchange.

The committee provides a forum through which listed companies can participate in shaping policies which impact on listed companies, and also addresses broad issues of concern to the business community. Mr Henderson, 55, chairs a similar body for the London Stock Exchange.

He will serve on the committee for three years. "The US is a very important market for the chemical industry and for Britain as a whole. I am delighted that ICI will have a seat at the council table of this prestigious American institution," commented Mr Henderson.

"I regard this appointment as recognition of our growing presence on the American scene," he added. America is the biggest market for chemicals in the world. ICI has 20,000 employees and more than $3bn of sales in the US.


Mr Denys Henderson

The NYSE Listed Company Advisory Committee is chaired by Mr Marshall Hahn, chairman and chief executive of Georgia-Pacific. Among the issues tackled in the past year by the committee were shareholder voting policy, corporate disclosure, insider trading regulations and the internationalisation of capital markets.

American investors hold almost 10 per cent of ICI's equity in the form of American Depositary Receipts (ADRs). ICI ADRs have been traded in the US since November, 1983, when ICI became listed on the NYSE big board. The fifth-largest chemical company in the world, ICI has spent more than $3bn on acquisitions in the US in the past three years – including Beatrice Chemicals ($750m) completed in 1985, Glidden Paints ($580m) in 1986 and Stauffer Chemicals ($1.69bn) in 1987.

Vice-presidents at Reynolds Metals

THE BOARD of Reynolds Metals, second-largest US aluminium producer, elected Mr Richard N. Peters and Mr A.B. (Jack) Shehee as corporate vice-presidents.

The company recently reported record fourth-quarter and 1987 year earnings, mainly reflecting "unprecedented strong demand for aluminium worldwide."

Mr Peters, 63, is president and general manager of Reynolds Aluminum Supply (RASCO), a unit of Reynolds Metals, and Mr Shehee, 62, is general manager of the group's electrical division.

After joining Reynolds in 1949 and holding a wide variety of sales and marketing positions in the group, Mr Peters was appointed vice-president, sales and marketing, for RASCO in 1977, and he assumed his current position in 1983.

Mr Shehee had held sales and marketing posts with General Cable Corporation, Continental Copper and Steel, and Copperweld Corporation, before moving to Reynolds in 1976 as manager of sales and marketing for the electrical division. He was elevated to general manager in 1983.

Changes at the top for Green Cross

GREEN CROSS, an Osaka-based major Japanese pharmaceutical company, has decided at a board meeting to appoint Mr Tadakazu Suyama, one of its three vice-presidents, as the new president, Kyodo reports from Tokyo.

Mr Renzo Matsushita, the current president, will become chairman. The decision will be formalised at another board meeting, to be held after the March 30 general meeting of stockholders.

The move is apparently aimed at improving the company's disappointing performance due to declining sales of plasma derivatives caused by tougher restrictions on their use, imposed amid the AIDS turmoil. The company is said to be the largest domestic manufacturer of these products.

Mr Suyama, 60, graduated from Kanazawa Medical College (the faculty of medicine of Kanazawa University). After being an instructor at this university, he joined Green Cross in 1962, and became a vice-president in 1983.

* * *

DOW CHEMICAL, second-largest US chemicals group, has appointed Mr Jean-Pierre Jacobs manager communications for the Benelux region.

For almost 10 years, he had been information officer of the European Chemical Industry Federation (CEFIC) in Brussels.

Presidential switch at PaineWebber

PAINEWEBBER Group Inc., parent of Painewebber Inc., a US-based leading international securities concern, has named Mr Donald E. Nickelson president, succeeding Mr Donald B. Marron, who continues as chairman and chief executive of the group.

Mr Nickelson was president of PaineWebber Inc. In his new post, he will be responsible for the company's asset management business, and represent PaineWebber's ownership position in many of the companies in which it has a major stockholding.

● In addition, PaineWebber Group has appointed as chief financial officer Mr Mark S. Nussbaum. Mr Richard P. Campbell Jr, the former CFO, has been elected an executive vice-president of the group and named director of finance and planning.

Mr Nussbaum, 35, joined Painewebber Group last July as managing director of proprietary trading in the Fixed Income Division. Prior to that, he had spent 11 years with Bankers Trust, starting as a trainee, and subsequently gaining a broad range of experience in fixed income and foreign exchange trading, and risk management. He was made a managing director in 1986.

Mr Campbell, 42, had been CFO at Painewebber since moving in 1985 from PepsiCo, where he had held management responsibility for various financial and operating areas. From 1972 to 1974, he had served as special assistant to the then Secretary of State Dr Henry Kissinger.

Mr Marron commented: "When Dick Campbell accepted the position as CFO, it was with the mandate to strengthen the firm's financial controls and to restructure PaineWebber's capitalisation. Having successfully achieved these objectives, Dick will now have responsibility for developing and maintaining the finance and planning functions necessary to facilitate the growth of our core business.

Senior Unisys post

UNISYS, the third-largest US computer group created in 1986 by the merger of Burroughs and Sperry, has elected Mr Edward Botwinick to its board of directors as a senior vice-president.

Mr Botwinick is president of Unisys Networks, a major new unit of the group with revenues in excess of US$500m. He assumed that post upon completion on January 22 of the previously announced acquisition of Timeplex, world leader in the T-1 communications networking. Timeplex is now the core business of Unisys Networks.

Unisys' goal is to be the leader in designing, installing and servicing corporate and institutional communications networks on a major scale around the world.

A founder of Timeplex in 1969, Mr Botwinick was its chairman and chief executive from 1977 until its acquisition by Unisys.

Accountancy Appointments

The John Lewis Partnership

Head of Internal Audit

£40,000 plus car

The John Lewis Partnership is a retail business with 21 Department Stores, 84 Waitrose supermarkets and a number of distribution centres and manufacturing units. It employs over 35,000 people and has an annual turnover exceeding £1,500 million.

The Partnership wishes to appoint a Head of Internal Audit, to succeed the present holder of this post on retirement. Reporting directly to the Chairman and based in central London, he or she will head a team responsible for the internal audit of all branches within the group, operations within central management and the computer facilities.

Candidates should be qualified Chartered Accountants with at least five years' audit experience at management level. Over more than 25 years the Partnership has built up a large central computer installation based on IBM mainframes and an extensive network and therefore familiarity with computer audit and computer assisted auditing techniques is clearly important. Experience in the retail sector would obviously be useful but it is not essential.

Pay is expected to be £40,000 but account will be taken of technical qualifications and experience. Other benefits include a car, non-contributory pension scheme, life assurance, six weeks' holiday, medical insurance and shopping discount. The Partnership is a pioneering producer-co-operative on a substantial scale. After provision for future development the whole of the profits are shared among those who work in the business.

Price Waterhouse are advising the Partnership on this appointment and it has been agreed we may respect the confidentiality of those wishing to discuss this position, prior to submitting a formal application. Candidates may therefore either telephone Alannah Hunt on 01-378 7200, or alternatively write to her quoting reference number MCS/6120 at

Executive Selection Division
Price Waterhouse
Management Consultants
No. 1 London Bridge
London SE1 9QL

Price Waterhouse

Financial Controller

c.£30,000 plus car — **West of London**

This company is a fast growing leading supplier of quality hi-tech office automation equipment. As the UK sales business of a well accepted international Group the company has an impressive performance record and as a part of its latest phase of expansion requires the expertise of a Financial Controller to help support the business.

Reporting to the Finance Director, the Financial Controller will assist in developing the financial systems and controls and have complete responsibility for the financial and management accounting operations. This will include the preparation and reporting of accounts for local and head office management, planning and budgeting, and ensuring the implementation of proper controls. Some overseas travel will be required.

Candidates should be chartered accountants in their 30s with initiative, and a commercial awareness gained preferably through managing the finance function of a competitive fast moving sales and marketing led company. Experience of computer based accounting systems is important along with having a results oriented approach and strong interpersonal skills. Both an ability to grow with the position and experience of working for an international company are important.

Please reply in confidence, giving concise career, personal and salary details to:
Michael Fahey, Ref ER 984,
Arthur Young Corporate Resourcing, Citadel House, 5-11 Fetter Lane, London EC4A 1DH.

Arthur Young Corporate Resourcing
A MEMBER OF ARTHUR YOUNG INTERNATIONAL

AFIC

COMPANY ACCOUNTANT COMPUTER SUPPLIES

£16-18,000 + Car + Benefits — **North London Based**

Applied Film Industries, a rapidly growing force in the dynamic Computer Supplies market, is now ready to expand its Senior Management Team with the appointment of a Company Accountant.

Probably in your late 20s or early 30s, a qualified Chartered Accountant and computer literate, you will be responsible for:-

- ★ Preparation of Management Accounts
- ★ Nominal Sales & Bought Ledger
- ★ Design and Implementation of computerised control systems
- ★ Control and Forecasting of cash flow and profit

Matching the demands, the rewards will be high, and you will in addition to an excellent Salary Package receive a Company Car, Pension, Private Health Care and performance related bonus.

Applicants, male or female, should apply in writing to Simone Emmett, Mercuri Urval, Spencer House, 29 Grove Hill Road, Harrow, Middx HA1 3BN, quoting ref: 60/88, or telephone 01-863 8466 for further details.

Mercuri Urval

FINANCIAL CONTROLLER/DIRECTOR
£30,000 + CAR
Computer software co. - City.
In the first instance please contact
David Paton 01-734 4836
FR Ltd Search & Selection

CHARTERED SECRETARIES

Touche Ross is a major international firm of Chartered Accountants with a well-established and innovative Company Secretarial Department providing a full range of specialist services to some 2,000 corporate clients. We utilise the latest computer based methods to ensure individual client attention, with full back up facilities.

Our clients from both the UK and abroad rely on our team of experienced, qualified Chartered Secretaries and support staff to provide instant advice and assistance.

To service our growing client base and to market our services more widely we wish to appoint a forward-thinking and experienced Manager and two Senior Assistants. These posts will require qualified Chartered Secretaries with experience of working in an accounting firm or similar professional organisation.

MANAGER – TO £24,000 + CAR
This high profile and challenging role calls for experience of managing your own portfolio of clients and providing them with the full range of company secretarial services. As a senior member of the department, you will share in all aspects of its management and have specific responsibilities associated with its development, promotion and administration. There will also be scope for technical research, training, staff management and recruitment. Probably aged 30 – 40.

SENIOR ASSISTANT – TO £18,500
This excellent career opportunity involves providing the full range of services, working in conjunction with the members of the management group and being identified with specific clients. You will also undertake technical research and participate in training and in marketing the department both internally and externally. Candidates will preferably have one to two years post qualification experience.

Phone or write to Tim Firth, Recruitment Manager, with career details at:

Touche Ross
Hill House, 1 Little New Street, London EC4A 3TR. Tel: 01-353 8011.

GROUP FINANCIAL CONTROLLER

ACA 28-35

West of London — **to £40,000 + car**

This major international computer services group has made an exceptional impact through the strategic realignment of its worldwide interests. Its recent acquisitions policy has resulted in market dominance within a highly competitive global environment.

As a result of this intensified activity they are now seeking to appoint a key individual to complement their financial management team.

Reporting to the Finance Director the role will involve the monitoring and provision of timely and accurate business data through the development of management information systems, accounting policies and control procedures. This will require extensive liaison with European financial management to ensure understanding of and adherence to group requirements. An element of international travel is therefore envisaged.

You should have a confident, professional approach enabling you to analyse, interpret and solve complex financial issues. In addition your interpersonal skills need to be of the highest calibre in order to communicate effectively both with executive management and your professionally qualified finance team.

Having trained with a leading professional firm, the successful candidate is likely to have already made a significant contribution within a demanding commercial environment. There are a substantial number of individuals who have achieved rapid career advancement within this dynamic organisation. Prospects will therefore only be limited by personal ability.

If you feel you can respond effectively to this exciting challenge please contact James Hyde on 01-925 0453 or write enclosing a detailed CV to the address below.

ROBERT • WALTERS • ASSOCIATES
EXECUTIVE SELECTION
10 Charles II Street London SW1Y 4AA Telephone: 01-925 0453

Deputy Group Financial Controller

c.£40,000 + Car & Bonus

This client, an international transportation and industrial services group with a turnover approaching £1 billion, is engaged in a period of rapid change and expansion which is successfully transforming its composition and strategic direction.

The Deputy Group Financial Controller will be at the centre of this activity with a responsibility for moving the businesses forward by performing high level reviews to optimise profit and productivity; participating in projects including acquisitions, re-organisations, international structures, funding and tax planning; providing critical review of business plans, budgets and actual results; and improving financial procedures & policies.

The position requires a very successful graduate chartered accountant with a record of achievement and rapid advancement in the profession and/or a major industrial group. The ability to work closely with main board members and senior divisional management on a diverse range of issues, and to provide a high standard of financial leadership whilst doing so is essential.

Location – Central London. Age guide – 30-35.

Please reply in confidence quoting Ref. L356 to:

Brian H Mason
Mason & Nurse Associates
1 Lancaster Place, Strand
London WC2E 7EB
Tel: 01-240 7805

Mason & Nurse
Selection & Search

International Financial Appointments

One of the largest groups based in Saudi Arabia and having extensive worldwide interests is seeking to appoint two senior financial executives. The Group comprises vehicle and consumer electronics dealerships, finance, real estate, shipping and other interests worldwide.

Head of Group Internal Audit

Negotiable over $100,000 Tax Free + Benefits

The Senior Executive appointed will report directly to the owners in Jeddah where he will be located, but his duties will include extensive travel overseas (mainly USA & Europe). He will establish the Group internal audit function and plan, direct and review its work.

The appointee will be professionally qualified with 10 + years high-level experience in international business in a partner/manager role in a major audit firm or as manager of a large internal audit department. The ideal candidate will possess tact, diplomacy, ability to work effectively under pressure, and adaptability to various management styles, nationalities and work locations.

Chief Accountant (Retail)

Circa $75,000 Tax Free + Benefits

The Group also seeks to appoint a Chief Accountant for the Retail Division of their vehicle dealership in Saudi Arabia, which is one of the largest in the world. Reporting to the Financial Controller, he will be responsible for supervision of all branch accounting staff in Saudi Arabia, overall control and development of accounting systems and production of management accounts.

The appointee will be professionally qualified with extensive experience in a similar, dynamic commercial environment. Promotion prospects are excellent.

In both cases the remuneration package includes a good tax free annual salary, bonus paid 6 monthly, free furnished accommodation, car, 30 days home leave and air-fares.

APPLICANTS WITH FLUENCY IN ARABIC WILL COMMAND PRIME CONSIDERATION AND PREMIUM TERMS.

Applicants for the above are asked to reply in confidence or telephone:

**Michael Nagle FCA
SABA & NAGLE INTERNATIONAL LIMITED
International Executive Selection Consultants
135 Notting Hill Gate, London W11 3LB.
Telephone: 01-221 2996**

SABA AND NAGLE INTERNATIONAL

Projects Controller

... a broadly based financial role in a rapidly growing organisation

to £23,500 + car allowance — Thames Valley

Our client, part of a major UK organisation, has ambitious growth plans. As a result there is now a requirement for a commercially minded accountant to play an essential role spanning several business sectors.

The content of this wide ranging position will be divided into two main types of work – regular and ad hoc.

- The regular part consists of preparing and reviewing consolidated business plans, budgets and monthly accounts.
- The ad hoc element will include financial projects, acquisitions and joint ventures to meet planned growth. Also to provide cover for the controllers of the business sectors during absence.

This exciting position will offer considerable interest and exposure at all levels within a fast evolving business environment. It will call for a high level of original thought as many of the problems encountered will be entirely new.

A qualified accountant, you will need a sound track record in a commercial environment and a firm, down-to-earth approach. Management credibility and the ability to articulate your thoughts clearly will be essential personal qualities.

Please write – in confidence – with full details, including current salary, to Nigel Bates FCA, ref. B.34024.

MSL International (UK) Ltd, 52 Grosvenor Gardens, London SW1W 0AW.

Offices in Europe, the Americas, Australasia and Asia Pacific.

MSL International

Group Financial Controller

Thames Valley

£24,000 + Car and Benefits

Our client is a fast growing quoted group of companies engaged in electronics and systems manufacturing for defence and industrial applications with a turnover of *around £20 million.*

Reporting to the Group Finance Director, the Group Financial Controller will be responsible for:

- *production of monthly management information*
- managing the accounting department
- development of group financial reporting and costing systems
- *problem-solving in subsidiary companies*
- ad hoc investigations

Candidates should be qualified accountants with a history of progressively responsible positions in industrial companies.

If you believe you have the experience and drive required for this important position, please send a brief *CV including your day time telephone number to* Steve McBride.

ROBSON RHODES

Chartered Accountants

Management Consultancy Division,
186 City Road, London, EC1V 2NU.

RECENTLY QUALIFIED ACCOUNTANTS

£17,750 to 21,750 depending on experience/location PLUS Substantial Banking Benefits

We are actively expanding our base of qualified accountants and are looking to recruit a number of 'recently qualifieds' to fill demanding accounting roles. We have openings both in London and the Provinces, all providing excellent opportunities to begin a challenging and rewarding career with Barclays, consistently one of the world's leading Banks.

We are able to offer a wide variety of experience to include major consolidation work, U.S. reporting, financial and management planning and reporting and day to day accounting and support work in operating units and subsidiaries.

We are only prepared to employ the very best and your first rate academic background must be supported by thorough professional training and well developed communication skills. You will be a self starter who can think positively and broadly.

For our part, we offer a dynamic working environment, good promotion prospects and a very competitive remuneration package which includes:-

- *Profit Sharing*
- *Annual Bonus*
- *Subsidised Mortgage and Loans*
- *Non-Contributory Pension*
- *Private Medical Insurance*
- *Relocation Expenses.*

Please forward your comprehensive career and salary history to the address below where initial interviews will be conducted.

*JOHN D GOODMAN,
PERSONNEL MANAGER, CHIEF ACCOUNTANT'S DEPARTMENT,
BARCLAYS BANK PLC, BARCLAYS HOUSE, 1 WIMBORNE ROAD, POOLE,
DORSET BH15 2BB.*

YOU'RE BETTER OFF TALKING TO BARCLAYS

Assistant to Finance Director

West London — to £24,000 + car

This appointment arises within an important division of a multi-national US corporation involved in providing high-tech services and products around the globe. The division is responsible for the timely and reliable perfomance of substantial contracts.

You will report to the Finance Director and assist him by producing monthly management accounts monitoring cash flow/budget performance, liaising with and producing information for managers throughout the group, dealing with bankers, handling statutory and taxation matters and such ad hoc projects as may arise.

You must be a qualified accountant who is capable of working under pressure and communicating effectively with both financial and non-financial personnel alike. You should be looking to pursue a career with a major group.

So, please apply by telephone or write with curriculum vitae, quoting reference: 102, to *O.L.R.* Ltd., 160 New Bond Street, London W1Y 0HR. Tel: 01 409 1371.

OLR

GROUP FINANCIAL CONTROLLER

West Midlands

c£25,000 plus car, bonus and share option

Our client is a dramatically expanding public group primarily engaged in industrial distribution from 50 locations throughout the UK.

This expansion has demanded the creation of a group financial controller function which reports directly to the group financial director. This person will be responsible for managing a sizeable accounts department, and ensuring strict financial control and reporting procedures are maintained. In addition the controller will be responsible for overseeing computer development and the introduction of group policies into newly acquired companies.

Preferred applicants will be graduate chartered or cost and management accountants aged around 30 seeking an opportunity to exert greater control over the finance function and become increasingly involved in the development of the branch businesses and general management. Experience should include substantial computer development and staff control.

In the first instance, please send brief personal and career details, to Douglas G Mixon quoting reference F228/M.

Ernst & Whinney
Executive Recruitment Services
Becket House, 1 Lambeth Palace Road, London SE1 7EU.

Financial Accountant

c£19K plus benefits — Central South

As the Financial Accountant for our client, you will be playing a key role within the committed senior management team.

Part of an International Group, they are leaders in their specialised area of the consumer goods market with an annual turnover in excess of £18m.

Reporting to the Financial Director, you will be responsible for all aspects of Financial planning and control, including monthly accounts, budgets and rolling forecasts and capital expenditure. You will also liaise closely with the Management Accountant to meet demanding deadlines.

A management role, you will head a department of 9 covering purchase and sales ledger, nominal ledger, wages, pensions and cashier.

To succeed in this challenging position, you will be a qualified Chartered/Certified/Management Accountant and must have experience of Financial Management in industry or commerce in a computerised environment. Well developed management skills are essential and it is unlikely that candidates under 27 years will have the experience necessary.

In return a competitive salary is offered, together with an excellent range of benefits which include bonus scheme participation, non-contributory pension, BUPA, permanent health/life cover and relocation to this very attractive part of the South.

Austin Knight Selection has been retained to advise on this key appointment. Please call our Consultant Karen Fitch on (0784) 31242 (day) or 01-979 0898 (evenings/weekends). Alternatively send career details to her at Austin Knight Selection, Knightway House, Band Lane, Egham, Surrey TW20 9NX quoting reference YS342.

Austin Knight Selection

High-level opportunity in Wales

Senior Accountancy Adviser

£24,765-£28,215

This newly created senior accountant post has wide-ranging responsibilities for providing accountancy advice across the broad spectrum of the functions of the Welsh Office in such diverse matters as Health, Education, Local Government, Support to Industry and many more.

You will play a significant role in the further development of Budgetary Control in the context of the Prime Minister's Financial Management Initiative with functional responsibility for the training, development and use of accountants in the Welsh Office. You will also have responsibility for Internal Audit within the Welsh Office and Audit of the National Health Service in Wales.

You should have a full professional accountancy qualification (ie ICA; CIMA; CACA; CIPFA) and at least ten years' post qualification experience, preferably including substantial knowledge of commercial accounting systems and audit procedures.

For further details and an application form (to be returned by 5 April 1988) write to Civil Service Commission, Alencon Link, Basingstoke, Hants RG21 1JB, or telephone Basingstoke (0256) 468551 (answering service operates outside office hours). Please quote ref: G/7514.

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Welsh Office-Y Swyddfa Gymreig

Hoggett Bowers

Executive Search and Selection Consultants

BIRMINGHAM, BRISTOL, CAMBRIDGE, CARDIFF, GLASGOW, LEEDS, LONDON, MANCHESTER, NEWCASTLE, NOTTINGHAM, SHEFFIELD and WINDSOR

A MEMBER OF BLUE ARROW PLC

Group Financial Accountant

Immediate Challenge — To £22,000, Car

Britain's most successful employee-emphasised Group specialising in transportation worldwide and envisaging a public flotation, currently seeks an ambitious Accountant to contribute to the strategic growth and global development of the Business. You will assume responsibility for the direct reporting of Group Financial information and ensure that financial policies are maintained to the highest professional standards supported by a team of staff. The ideal candidate aged 25 to 35 will offer a minimum of two years post-qualification experience, possibly from a transport related industry. You will have displayed leadership qualities and be familiar with developing and initiating computer based systems. A 'hands-on' individual is required who has the ability to work within a fast developing organisation with ever changing needs. Excellent opportunity for advancement within the Group and their New World Structure.

Male or female candidates should submit in confidence a comprehensive c.v. or telephone for a Personal History Form to, *Bernadette Boylan, Accountancy Division, Hoggett Bowers plc, 1/2 Hanover Street, LONDON, W1R 9WB, 01-409 2766, quoting Ref: 842/FT.*

FINANCE DIRECTOR (DESIGNATE)

Stoke-on-Trent — **c. £30,000 + car**

The Portmeirion collection of Pottery, Textiles and other accessories is being continually extended. It enjoys a worldwide reputation and ever growing popularity.

The Company's sales and profits are rising rapidly. Annual sales are now approaching £10M. Continued rapid growth is envisaged.

To meet the growth in demand, the Company is having to accelerate its capital investment programme. To fund this and the expansion of the business, a Stock Market listing and issue is planned for 1988.

The new post, responsible to the Managing Director, will be the focus for all financial activities and company secretarial tasks. It will be the Finance Director's job to make sure that all control systems develop and improve in step with physical growth.

Portmeirion's outstanding success owes much to the lively atmosphere created by the Directors' enthusiasm and commitment. Your ability to become a member of this team and share its interest in the Company's products and market opportunities, is as important as your professional abilities and track record. This is an outstanding, long-term career opportunity. Candidates must be Chartered Accountants, ideally aged between 30-40.

Applications should be sent in confidence, stating your present salary, to the Managing Director, Portmeirion Potteries Limited, Penkhull New Road, Stoke-on-Trent ST4 5DD.

PORTMEIRION

FINANCIAL CONTROLLER

City c. £35,000 + car + bank benefits

We are recruiting for the London office of a progressive and well established overseas banking group with total assets in the region of £3.3 billion. This international branch was set up about two years ago and has already established its reputation as a well respected player in the foreign exchange and money markets and in the corporate lending arena.

The Financial Controller will be a key member of a small senior management team and will assume responsibility for all financial and management accounting and control. In view of the increasing success and complexity of the business, particular emphasis will be placed on building enhanced management information systems and producing strategic data to facilitate corporate decision making.

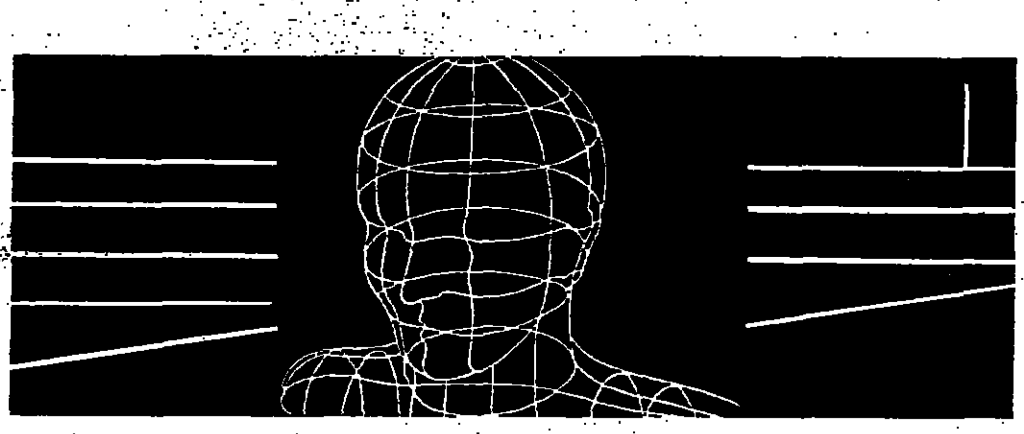
Candidates will be chartered accountants who have gained several years experience of banking or the financial services sector, either within the profession or in a financial institution, or both. They will have well developed technical skills combined with experience of computer based accounting systems and banking software.

The role will require excellent communication skills and a flexible, professional approach. Candidates will enjoy the challenge of working in a young success orientated environment and making a strong personal contribution, with scope for real career enhancement.

Please write in confidence, with full career and salary details and quoting reference S7781, to Paul Carvosso.

KPMG Peat Marwick McLintock
Executive Selection and Search
9 Creed Lane, London EC4V 5BR

For the Tax Specialist who meets challenges head on...



...we can offer excellent prospects for rapid development to Partner, with the immediate prospect of earning up to £40,000 plus car. Whether you're a Manager, Assistant Manager or Supervisor, you'll go further, faster as one of our tax advisory team.

The emphasis is on getting closer to your clients, understanding their business needs and finding solutions to their problems. The majority of your work will be tax and business consultancy. It's an interesting and influential role offering continuous intellectual challenge.

The training, like the firm, is truly international with technical and management development courses, taking place in the UK, Europe and USA. We devote time, effort and expense to your individual requirements.

If you're a commercially aware Chartered Accountant in your 20's or 30's, keen to join a team of tax specialists of the highest quality, the opportunities in tax with Arthur Andersen & Co are exceptional.

Why not find out for yourself by spending some time talking to members of our team.

As a first step to an opportunity that's not just better, but better by far, write to Richard Gould, Tax Division, Arthur Andersen & Co., 1 Surrey Street, London WC2R 2PS or call him on 01-438 3479.

ARTHUR ANDERSEN & CO.

SYSTEMS ACCOUNTANTS

Ready to rise to a real challenge in Management Consultancy

London and Regional Offices — **To £35,000 + Car**

- **Graduates**
- **Aged 28-35**
- **Qualified Accountants or**
- **MBAs**
- **With good systems experience**

If you are a fast track individual with a head for heights, consider the advantages of joining a leading international management consultancy. Fast growing, with an enviable reputation for technical excellence, they now wish to recruit experienced accountants with the personal and technical skills to provide systems advice to clients drawn from the widest possible industrial and commercial client base, which includes many small growth companies as well as major multinational and public bodies.

Ideally you will have worked for at least one major blue chip organisation and have good line management experience. You will either have designed or implemented manual or computerised systems and procedures or been involved in a significant systems development project.

Applications are invited from graduate qualified accountants with the interpersonal skills necessary to advise clients at the highest levels. In the first instance, please send a detailed curriculum vitae to **Trevor Atkinson, FCA, quoting reference 8537.**

OFFICIAL SPONSOR 1988 BRITISH OLYMPIC TEAM

MANAGEMENT CONSULTANCY RECRUITMENT DIVISION
DOUGLAS LLAMBIAS
DOUGLAS LLAMBIAS CONSULTANCY SERVICES, 410 STRAND, LONDON WC2R 0NS
TELEPHONE: 01-836 9501

Finance Controller

Board Prospects — **c £40,000 + car & participation**

For a listed property development and trading company with a varied commercial portfolio in the South East of England and on the Continent. Expansion is planned both organically and by acquisition.

You will report to the Chief Executive and in addition to having responsibility for all aspects of financial control you will be Secretary to the Board. There will be a real opportunity to assist in planning the company's expansion.

Probably in your thirties or early forties, you will be a qualified accountant with high quality financial and commercial experience. There is an excellent benefits package including stock options. Location: London.

Please write in confidence to Edward Simpson, quoting ref. S881, at 84/86 Grays Inn Road, London WC1X 8AE.

CAMERON · SIMPSON
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Financial Manager Designate

Libya — **Attractive Package**

An exciting, fast-moving multinational, our client is the world's most prestigious oil field services company with operations throughout the globe. They are currently seeking a career-minded individual for the position of Finance Manager Designate.

Initially reporting to the Finance Manager, the post carries full financial and accounting responsibility for the operation; allied with the control and the review of monthly results with local management and Controller Department in Europe this will form the structure of a demanding and challenging role.

You must be at least part-qualified with drive, ambition and confidence. You will be a self-starter, your excellent communicative skills in English and Arabic, and commercial instincts coupled with an ability to set and achieve goals will ensure you a high profile.

Your future: initially you will put your existing knowledge to use in a corporate environment. In the medium-term career development is assured by successful performance and promotion can be expected within 12 months. You will be expected to stay in Libya for approximately 3 years; after which you will have opportunities to work within the Group.

An attractive package is offered with full expatriate benefits. Interested candidates should contact: Tony Seager on London 831 0431, or write enclosing full CV to: Michael Page International, 39-41 Parker Street, London WC2B 5LH.

Michael Page International
Recruitment Consultants
London Amsterdam Brussels New York Paris Sydney
A member of Addison Consultancy Group PLC

Finance Director

Cheshire based — **c £25,000 + car**

Our client is a contracting and manufacturing company, which has enjoyed considerable expansion in recent years. With customers throughout the UK, it operates from several locations in the North West and Midlands. The company's objectives of sustained growth and profitability now require the enhancement of its financial direction and control.

Reporting to the Chairman, the emphasis of the post will be the development of financial strategy, and provision and interpretation of meaningful management information. Cash flow forecasting and improved administrative systems are key areas of responsibility, while a significant contribution to commercial decision-making and overall business policy will be a major requirement.

Candidates should be qualified accountants who can bring a breadth of accounting and financial management experience to this growing entrepreneurially-managed business. This is a participatory role, requiring energy, initiative and self-motivation, offering in return a negotiable salary and profit share package including possible share ownership, and relocation where necessary.

Please write in confidence with full career, personal and salary details, quoting R.168, to:

Derran Sewell, Corporate Resourcing, Arthur Young Management Consultants, Commercial Union House, Albert Square, Manchester M2 6LP.

Arthur Young Corporate Resourcing
A MEMBER OF ARTHUR YOUNG INTERNATIONAL

Operations Director

US Semiconductor sales to Europe

Weybridge — *to £30,000 + bonus*

Our client is a highly successful major US supplier of active and passive components with European semiconductor sales in excess *of US$16m. This independent company* recently decentralised to increase competitive edge and have now relocated their European headquarters to England.

The Operations Director, reporting *to the Managing Director*, will be a key member of the small flexible management team. The focus initially will be creative: to establish financial and accounting policies and procedures; *to select hardware and software to develop* MIS, and to set up buy/resale/order processing procedures. The secondary focus will be on co-ordinating operations, involving *occasional European travel and liaison* with the USA.

The appointee will be a graduate qualified accountant, preferably Chartered and aged 30-35, with a track record of creative contribution, *ideally in the accountancy profession and in* commerce. A proactive team player will relish the opportunity to develop this operation.

The remuneration package includes a substantial achievable bonus, car and excellent benefits. Growth prospects for the company are exciting and could generate senior financial or *general management opportunities in the UK or overseas.*

Please reply to Barbara Robertson, in strict confidence, with details of age, career and salary progression, education and qualifications, quoting reference *5101/FT on both envelope* and letter.

Deloitte Haskins+Sells

Management Consultancy Division

P.O. Box 198, Hillgate House, 26 Old Bailey, London EC4M 7PL

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Financial Controller

London-based — £25 - 28,000 + car

As a dynamic Direct Market Advertising Agency, our client requires a Financial Controller who has the skill and capacity to grow with their business. Since 1985 they have achieved a turnover of £3,000,000 + and serve *an impressive range of blue* chip clients. Their projected growth for the coming year means a significant increase in workload and budget, so if you have the *qualifications necessary, we need you now.*

The successful candidate will be a qualified accountant between 28 and 35 years of age, who has had previous commercial experience. The ambition to match their plans is also necessary - this is a position suited for a real achiever and you will need considerable entrepreneurial flair.

At present they have effective manual systems in operation. A key part of your initial brief is to transfer them onto computer. This position *offers challenge, opportunity and a range* of excellent benefits. If you think you are right for the job, send a letter of application, together with CV, salary progression and any other relevant data to Kirshen Rundle, Executive Recruitment Division, Stoy Hayward Associates, 8 Baker Street, London W1M 1DA

Stoy Hayward Associates

MANAGEMENT CONSULTANTS

A member of Horwath & Horwath International

FINANCIAL ANALYSIS MANAGER

Putney — **To £25k + Car**

Due to continued growth, our client, a major international Hi-tech company, *is seeking a Financial Manager* to play a key role in the restructuring and subsequent development of its Analysis Department.

Primary responsibilities involve the co-ordination and production of the company budgets, including the development of such software required in the modelling of this information; preparation of monthly reporting package; expenditure control and ad hoc projects.

This position reports to the Financial Controller and involves leading a team of three analysts. Continued liaison with both the Financial and Managing Directors necessitates the ability to present financial data with precision and clarity.

A flexible approach will be an essential aspect of this role, with the successful applicant possessing determination, ambition and tenacity.

The ideal candidate will be a qualified accountant, aged 25-32 with a proven track record in a busy, commercial environment. If you are interested in finding out more about this challenging position, then please contact Edward Akerman on 01-930 7850. Alternatively, please write enclosing brief details to the address below.

ROBERT • WALTERS • ASSOCIATES

RECRUITMENT CONSULTANTS

66-68 Haymarket London SW1Y 4RF Telephone: 01-930 7850

CKL

01-409 0695

Regional Accountant

London/Kent Borders — c.£21,000, benefits, European travel

This high flying, specialist international travel company has an impressive track record. They boast a $50m t/o and there is firm commitment to future development and expansion.

Internal promotion has created a vacancy for a career minded young accountant to take full responsibility for the day to day running of the European financial operation. Assisted by a staff of 9, you will also be responsible for producing quarterly forecasts, budgets, developing systems with recommendations for improvements, ensuring reporting procedures are met and producing financial and management reports.

Aged 24-30, candidates will currently be studying for final examinations, and will have gained a minimum of two years commercial experience, preferably within a service industry. The ability to communicate effectively is essential together with the strength of personality necessary to formulate plans and motivate staff.

Please telephone, or send your curriculum vitae to S. A. Ford, CKL Accountancy Limited, 299 Oxford Street, London, W1R 1LA, telephone 01-409 0695/01-493 0553.

FINANCIAL CONTROLLER

Cheshire c. 18K pa, car scheme, benefits

This is an excellent opportunity to play a key role in a joint venture organisation operated by *a leading finance house and a major European* car manufacturer. Enjoying an enviable reputation for service, the business is poised to further develop its well established position in the car sales and leasing market via a network of branch offices and 300 dealers.

You will be responsible to the General Manager for the financial affairs of the company. This will include budgeting and financial reporting, maintaining underwriting standards, risk analysis, funding policy and appropriate systems development support for the business.

Candidates should be graduates/qualified accountants with financial management experience gained in a similar environment.

They must also have good communication skills, and be prepared to play an active role in the further development of this market leader in the provision of financial services to motor retailers.

Please write in confidence with career and salary details to Peter Evans.

KPMG Peat Marwick McLintock

Executive Selection and Search

7 Tib Lane, Manchester M2 6DS

AMBITIOUS ACCOUNTANT

Managing the present. Investing in the future.

c£25,000 + benefits — Gatwick

Business for British Airports Services Limited is taking off both in the UK and internationally. We provide specialist expertise and services for the seven major UK airports owned and operated by BAA plc, including Heathrow and Gatwick, and we are increasingly marketing our technical and commercial expertise assertively to a wide range of customers within and beyond aviation circles worldwide.

A dynamic part of a highly progressive organisation, we now seek a top-flight professional to join a small finance team which provides forward planning, control and overview for all our business activities.

Reporting to the Finance Director, you will contribute to the development of budgets and business forecasts for the Company, monitor performance and, increasingly, provide a focus on new business ventures – assessing opportunities and investments, both at home and overseas.

Highly visible at the most senior level, you must be a professionally qualified accountant, probably in your mid- to late-20's, with a proven track record of achievement and the technical and interpersonal skills to influence major decision makers. You should be familiar with the broad range of investment appraisal techniques, be fully conversant with computerised systems and, ideally, have experience of overseas problem solving and investment activities.

A salary package of c£25,000pa plus fully expensed company car and private medical insurance indicates the calibre of accountant we require. Career prospects are excellent.

If you have the personal and professional skills we seek, please telephone or send your c.v. to Noel Turner, Manpower Resources Manager, Personnel Services, British Airports Services Limited, Masefield House, Gatwick, West Sussex RH6 0HZ. Tel: Gatwick (0293) 595085.

B·A·A

British Airports Services

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International HQ Financial Management Opportunity

Ambitious Chartered Accountant

c.£30,000 + car + benefits

Central London

Our client is a large UK owned specialist service company, with an impressive record of growth and profitability at home and overseas. Their progressive management style, a clearly conceived marketing strategy and the ability to respond effectively to change in a competitive market sector, has established them as a major international force. They are totally committed to the development and improvement of their business service.

There is an opportunity for an ambitious Qualified Accountant to join their international headquarters finance function. Reporting to the Financial Controller, responsibilities will include:

- Forecasting and planning
- Preparation and presentation of group results to the board
- Project work, reviews, analysis etc.
- Interface with other corporate departments
- Liaison with operational Finance Directors
- Management of the accounting, reporting and management information process
- Supervision of 8 staff.

For this important and challenging role we are seeking a qualified Chartered Accountant with a minimum of 18 months' post qualification experience gained in a top professional firm. A confident personality and excellent communication skills, combined with a strong commercial awareness and a thorough technical understanding are essential. Success in this high profile role will lead to outstanding career development opportunities *within the group.*

For further details and a confidential discussion please contact John Bowman on 01-387 5400 (out of hours 0474 874473 or 0923 720284) or write to him at Financial Selection Services, Drayton House, Gordon Street, Bloomsbury, London WC1H 0AN.

financial SELECTION SERVICES

FINANCIAL CONTROLLER

City £30,000 + car

Our client is a small privately owned and rapidly growing company providing a range of investment advisory and portfolio management services to individuals, many of whom are UK expatriates currently working overseas.

The Managing Director wishes to recruit a Financial Controller who will be responsible to him for controlling and developing the accounting function, including efficient client services, planning and control of profitability and meeting the regulatory requirements of FIMBRA. Computerised systems are well developed on a number of PC's and there are good supporting staff.

Applicants should be young chartered accountants with some knowledge of the financial services and securities markets. They must be strongly self motivated achievers who wish to grow with this entrepreneurially run business. The rewards include a good salary, bonuses and car.

Please write in confidence with full career and salary details, quoting reference 8036 to John W. Hills.

KPMG Peat Marwick McLintock

Executive Selection and Search

9 Creed Lane, London, EC4V 5BR

FINANCE DIRECTOR
Growth Orientated PLC
£50,000 + car + share options

Our client, who is firmly based in the manufacturing sector, is already valued at £150 million. Organic growth and further acquisitions are expected to double this figure within the next three years and redouble it in a further three years.

The recruitment of an accomplished Finance Director is seen as essential to the pursuit of these objectives. Suitable candidates will offer broad experience in dealing with the City, including involvement in acquisitions and disposals. The appointee will be expected to quickly earn the respect of senior colleagues and professional advisors through ability to see beyond operational figures and play a key role in the Company's strategy.

The Group Headquarters are located in a pleasant area approximately one hour by fast train from the City and a generous relocation package is available.

Applicants should send brief details in the first instance to Justine Stephens-Clark, quoting reference W7401 and naming any organisations to whom they should not be forwarded.

KPMG Peat Marwick McLintock
Executive Selection and Search
9 Creed Lane, London, EC4V 5BR

APPLICATIONS FACILITIES POLICIES
Our Senior Computer Auditors are concerned with them all

You will, of course, be aware that we are one of the world's largest oil companies but you might not have been aware that we are one of the most international, and most decentralised, of all multi-national groups. Which explains why the role of Senior Computer Auditor within Shell is an unusually broad one and akin to that of a consultant.

Liaising extensively with senior managers, our Computer Auditors are responsible for advising on the controls covering all aspects of the use of computers throughout the diverse business units within our central offices and in our operating companies, both U.K. and overseas. Working individually or with a colleague, on a project basis, they are involved not only in reviewing computer applications, facilities and policies but also in setting audit standards and procedures and in systems development.

To join us as a Senior Computer Auditor - initially on a 3 or 4 year contract - you will need acute analytical/critical faculties, impressive interpersonal skills and a mature commercial judgement. Probably with a degree or an appropriate professional qualification and some previous audit experience, you will have a substantial record of involvement in the development or the use of computer applications. You should also be prepared to spend up to two months per year overseas, if required.

Your starting salary will be in excess of £25,000 and the experience, insights and recognition that you gain with Shell will open up a wide range of possible career development opportunities - which could include, in certain circumstances, a transfer to permanent employment with us.

Please send a full CV quoting Ref. No. 6/88 to: Jane Martin, Shell International Petroleum Co. Ltd., Recruitment Division, PNEL/231, Shell Centre, London SE1 7NA. Alternatively, if you would like to know more about these opportunities please phone Alan Hughes on 01-934 3628 for an informal discussion.

Wickes plc
Operational Review £23,000 + Car

Wickes plc is the only independently quoted U.K. DIY retailer. Over the last three years operating profits have shown compound growth in excess of 40% and the group is continuing a major store expansion programme to sustain that growth both in the U.K. and Europe.

You will join the small Corporate Head Office team, based in the West End, and be responsible for the review and evaluation of the operating systems of U.K. subsidiaries. Reporting to the European Audit Manager, your objective will be to strengthen management controls and to identify additional profit opportunities. The position is seen very much as a stepping stone, and you will be encouraged to assume a more senior role within the organisation in the next eighteen months.

The successful candidate is likely to be a recently qualified ACA, preferably from a 'big 8' firm. You must be energetic, lively and bright. The position demands a committed individual, self-motivated and ambitious, with a strong sense of initiative and commercial acumen – this is a chance to move away from constant supervision.

If you feel you have the ability and drive to succeed in a dynamic and commercial environment, please telephone David Northmore on 01-831 2000 or write to him at Michael Page Partnership, 39-41 Parker Street, London WC2B 5LH.

Michael Page Partnership
International Recruitment Consultants
London Bristol Windsor St Albans Leatherhead Birmingham Nottingham Manchester Leeds Glasgow & Worldwide
A member of Addison Consultancy Group PLC

Finance Director
Designate

City — *to £35,000 + banking benefits*

Our client is a rapidly expanding asset management company with funds under management in excess of £300 million. Wholly-owned by an international bank, the company oversees both private portfolios and high performance unit trusts. Based in London, other locations include Hong Kong and the USA.

Reporting to the Managing Director, you will have an interesting and challenging role – controlling and co-ordinating all financial activities, creating highly responsive management information systems and contributing at a strategic level to future business development. The position demands a proactive approach – success will lead quickly to a Board appointment.

You will be a qualified Chartered Accountant in your thirties with significant experience in the investment and securities sector. With a strong personality, you will have the ability to organise detail as well as maintain a strategic overview of the financial area. Managerial and team building skills are essential.

Please send full personal and career details in confidence to Alison Hawley, quoting reference 5075/FT on both envelope and letter.

Deloitte Haskins + Sells
Management Consultancy Division
P.O. Box 198, Hillgate House, 26 Old Bailey, London EC4M 7PL

CAPARO
Group Chief Accountant To £25,000 + Car + Share Options

Caparo Industries Plc is a broadly based manufacturing, engineering and electronics company. The company has set ambitious growth targets and is expanding both organically and by acquisition. The Group's turnover is approximately £140 million.

Group restructuring has created an opportunity to join the small, close-knit Head Office team.

Reporting to the Group Finance Director, this is a broadly-based commercial role. Your responsibilities will include the co-ordination of the annual statutory accounts, group budgets and all aspects of the company's planning and forecasting. In addition you will be involved in a variety of ad hoc projects, including acquisition work. The role will involve some travel in the Midlands.

The successful applicant is likely to be an ACA with two years post qualification experience, preferably in a commercial environment. This position will be both challenging and rewarding, and will require the ability to think on one's feet. You must be determined, self-motivated, bright and ambitious. It is envisaged that you will be ready to assume a more senior role, probably at an operating level in two to three years.

If your background and aspirations can match up to our own high standards, please telephone David Northmore on 01-831 2000 or write to him at Michael Page Partnership, 39-41 Parker Street, London WC2B 5LH.

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CRAWFORD HALLS · PARTNERSHIP ·

Financial Director Designate Advertising
c £23k + CAR North West

The Crawford Halls Partnership is the rapidly growing £8m + billing Northern arm of the Saatchi & Saatchi UK regional network.

The successful candidate (he/she) will be qualified, young, 27 +, living within commuting distance of Manchester, ambitious and computer numerate. Service industry experience and the ability to handle dynamic situations are essential.

Responsibilities will include office management as well as full financial control, supported by a small but highly professional team.

Membership of the Board will be reviewed after six months.

Please send CV to:
Herbert Levinger, Group Financial Director, 33-35 Queen Square, Bristol BS1 4LU.

PARTNERSHIP ADMINISTRATOR
London WC2 c£35,000 + car

A young and progressive firm of Solicitors has created a new position to provide essential support to its twenty Partners and senior staff.

Reporting to the Partners and working alongside the Partnership Secretary responsible for finance, your role will encompass premises management, communications and technology, personnel, and all administrative and legislative matters affecting the practice. There will be regular attendance of committee meetings with responsibility for ensuring that the decisions of the Partners are implemented.

Ideally in your 30s, probably qualified as a Chartered Secretary or Accountant, you should have experience of working within a professional environment where there have been both administrative and financial roles.

This is viewed as a long term position which will evolve to encompass other areas as the firm continues to thrive in a changing and competitive environment.

Please write, enclosing a career/salary history and daytime telephone number, to John P. Sleigh FCCA quoting reference J/700/BF.

LLOYD MANAGEMENT

LLOYD MANAGEMENT Selection Consultants 125 High Holborn London WC1V 6QA 01-405 3499

FINANCE DIRECTOR
c.£30k + car Home counties

Substantial, profitable and expanding autonomous subsidiary of a major plc seeks a tough, highly skilled and results orientated accountant with experience in fast moving, EDP controlled, multi-site operation and knowledge of new ventures and aquisitions.

Please write with full cv, including telephone numbers, quoting Ref.5161 to Dr Halliday;
Douglas Halliday Executive Search
Mill Forge, Ashton-Under-Hill, Evesham, WR11 6SS

Enhancing Shareholder Value...

Strategic Planning and Finance

London **to £35,000+Benefits**

We are acting on behalf of a blue chip financial services group with substantial international operations. The Company adopts a progressive business approach with a strong emphasis on successful growth through exploitation of competitive advantage.

We are seeking a high flier to: identify and pursue acquisition opportunities, develop corporate strategy, advise on market competition and business developments.

This is a high profile position which is seen as an entry point for future executives where you will advise top level management in critical commercial decisions.

Candidates will be either: qualified chartered accountants, aged 27-30 who since qualification have gained a minimum of one year's experience in business investigations/corporate development in practice or industry, or an MBA aged 27-33 with a minimum of two years' experience in strategic planning/acquisitions.

If you possess the necessary qualities and are excited by the challenge offered, you should write to Jon Anderson, ACMA, Executive Division, enclosing a comprehensive curriculum vitae and daytime telephone number quoting ref. 495 at 39-41 Parker Street, London WC2B 5LH.

MP

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International Recruitment Consultants
London Bristol Windsor StAlbans Leatherhead Birmingham Nottingham Manchester Leeds Glasgow & Worldwide
A member of Addison Consultancy Group PLC

Deputy to the Controller

International Public Group

Qualified ACA **Package in Excess of £30,000** **Central London**

This profitable and expanding international public group with turnover in excess of $240m, with major interests in energy transportation and Cruise Liners, is a market leader. This is a unique opportunity to enjoy early responsibility in a fast moving, challenging environment within a highly automated accounting department.

As Deputy to the Controller your responsibilities will include the management of a young team, the monitoring of financial results, reports on performance to shareholders, special project work and the development of computer modelling techniques. In addition you will deputise as necessary for the Controller, develop and co-ordinate the group planning.

In your mid to late 20's and an ACA with a degree and a good examination record you have recently qualified with a leading accountancy practice. You may have post-qualification experience gained in a commercial environment. A self-starter and adaptable you are capable of managing and motivating a team as well as communicating effectively at all levels.

The package is generous and offers a competitive salary commensurate with age and experience, an attractive range of fringe benefits and a company car. Please write with full career and salary details in complete confidence to Margaret L. Elliott of Cripps, Sears & Partners Limited, Personnel Management Consultants, International Buildings, 71 Kingsway, London WC2B 6ST. Telephone 01-404 5701.

Cripps, Sears

CAMBRIDGE UNIVERSITY PRESS

Financial Director

Cambridge **£30,000-£40,000+Car+Attractive Fringe Benefits**

Cambridge University Press is the self-financing charitable publishing and printing arm of the University of Cambridge, and it is an integral and inseparable part of it. Established in 1534, it began printing and publishing in 1584; it is the oldest press in the world, and the oldest Bible publisher in the world, and currently publishes over 1,100 books a year and 100 scholarly journals. The Press has a multi-million pound turnover, employs about 900 people, and maintains an impressive financial stability with which to pursue its primary objective of disseminating knowledge. The business is extensively international, with its own operating branches in the USA and Australia, and over 70% of its publications are exported to over 150 countries. (The Press won the Queen's Award for Export Achievement last year.)

A requirement has now arisen for a Financial Director to be the operational financial director of the Publishing Division and to be the overall senior financial executive of the Press as a whole. You will therefore have a dual reporting line to both the Managing Director of the Publishing Division and the Chief Executive of the Press.

Your responsibility will include the management of a staff of 26 in carrying out a full divisional finance function, with particular emphasis on providing timely and relevant financial information. For the Press as a whole, you will prepare consolidations for the annual accounts, and because of the international nature of the business and the need to optimise the use of funds, treasury management will also be an important element. You will be expected to make a substantial contribution as a member of the senior Press team to the general management of the Press.

The successful candidate is likely to be aged 33 to 45 and to be a graduate Chartered Accountant. You will be attracted by the cultural and intellectual environment, where financial success has been achieved through an entrepreneurial business approach to a wide variety of charitable knowledge-disseminating activities. An essential quality will be the ability to understand and operate in a major international charitable trading enterprise, where financial and business efficiency is vital but secondary to the primary academic and scholarly objectives.

In addition to an excellent salary and a fully expensed car, there is a range of very attractive fringe benefits.

This unusual role demands a special individual. If you can identify with the above description, I would be pleased to receive your C.V. in application: Wayne Thomas, Executive Division, Michael Page Partnership, 6 Sheet Street, Windsor SL4 1BG.

MP

Michael Page Partnership
International Recruitment Consultants
London Bristol Windsor StAlbans Leatherhead Birmingham Nottingham Manchester Leeds Glasgow & Worldwide
A member of Addison Consultancy Group PLC

International Accountancy Appointments Appear Every Thursday

CHIEF ACCOUNTANT

circa £28k Package + car + benefits *Leeds*

Burton Retail is one of the largest divisions of Britain's most successful retail business with some 600 menswear fashion outlets.

Due to the continuing success and expansion of our division an exciting new opportunity now exists for a senior manager to join our finance function in Leeds, responsible to the Financial Controller.

We are looking for a seasoned professional whose prime responsibility will be the day-to-day running of the Finance Departments with the emphasis being on the management of 120 professional and clerical staff. Other responsibilities will include the development of financial controls, reporting systems and the provision of management information together with the on-going requirement to prepare both the monthly and annual accounts.

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We therefore seek a practical Chartered Accountant, aged 30-45, with a track record of managerial competence and proven commercial capabilities. Financial sector experience and taxation knowledge are prerequisites; experience of credit and or leasing would also be a distinct advantage.

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This recruitment is being undertaken by our parent company and therefore candidates should apply in writing with full c.v. and present salary to: **A D Tanner, Resourcing Manager, Mercantile Group Plc, Elizabethan House, Great Queen Street, London WC2B 5DP Telephone: 01-242 1234.**

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SECTION II – COMPANIES AND MARKETS
FINANCIAL TIMES
Thursday March 10 1988

Unisys and AT&T form joint venture to develop Unix system

BY RODERICK ORAM AND LOUISE KEHOE

UNISYS, the world's second largest computer group, yesterday became the first major US computer maker to line up behind American Telephone & Telegraph's efforts to develop a widely acceptable alternative to proprietary computer operating systems offered by International Business Machines and other manufacturers.

Unisys said it would help AT&T further to develop its Unix operating system into an open system which could be used by many computer manufacturers and users.

Unix offers substantial benefits to users in terms of operating speed and ease, simplicity of linking machines made by different manufacturers and transferring software between computers.

Unix is "the key standard for the 1990s," Mr Michael Blumenthal, Unisys chairman, said. The company plans to expand its range of Unix-based computers.

AT&T developed Unix in the early 1970s and licensed it to a number of other hardware and software companies, resulting in differing versions. It began last year to try to win support for a new unified version.

As part of that effort, it took 20 per cent of Sun Microsystems, a California maker of Unix-based high performance work stations. Motorola, the semiconductor maker, Xerox, Microsoft, the software developer, and a number of other companies have joined AT&T's efforts.

Unisys also said yesterday it had bought a licence to design and make microprocessors based on Sun's Scalable Processor Architecture (Sparc). The design has good price/performance characteristics for future high performance Unix-based Unisys computers, Mr Jan Lindelow, Unisys's senior vice president corporate marketing, said.

Unisys sold some $500m of computers based on Unix System V last year, triple the previous year's volume. It expects their sales to grow by more than 35 per cent this year.

Unisys is just one of several major computer manufacturers who plan to use Sun's Sparc microprocessor designs in future products, said Mr Scott McNealy, president of Sun Microsystems.

Canadian banks barred from retailing insurance

BY ROBERT GIBBENS IN MONTREAL

CANADA'S Federal Government will not allow the country's chartered banks to move into retail insurance and car leasing because this would give them too much power, said Mr Tom Hockin, Minister of State for Finance.

The banks won the right to own insurance subsidiaries when the Federal Government allowed them to buy investment dealers in December 1986, but the right to sell retail insurance products through their networks was strongly opposed by the insurance broking industry and some insurance companies.

The banks claimed they could sell basic car and property coverage at lower cost to consumers mainly because they would have cut out agents' commission.

Mr Hockin said the car leasing business would also be blocked to the banks, though the Government might consider their getting into data processing services.

Poor order book forces Grumman to cut staff

By Our Financial Staff

GRUMMAN, the US defence and aerospace group, is to cut about 700 jobs due to lower levels of aircraft engineering and manufacturing work.

The company, most of whose military aircraft are supplied to the US Navy, added that these cuts, along with natural wastage and a reduction in part-time and temporary workers, would reduce total employment by about 2,600 jobs during 1988. The company now employs 33,700.

Grumman said its Long Island workforce will lose about 2,300 jobs, or 10 per cent of the total, including 600 employees who will be laid off.

The company blamed the cuts on the loss of a recent multi-billion dollar competition for the Navy's Advanced Tactical Aircraft Programme, which was won by a team led by McDonnell Douglas. It also cited production delays caused by defence budget cuts and funding uncertainty for its A-6 aircraft.

Amgold lowers dividend level

By Jim Jones in Johannesburg

ANGLO AMERICAN Gold Corporation (Amgold), the gold-holding arm of South Africa's largest mining house, has cut its dividend after an income drop in the year to February.

Dividend income declined to R355.9m ($166.1m) from R383.2m, prospecting expenditure increased to R21.2m from R16.3m and the pre-tax profit was R341.8m against R373.3m.

Net earnings fell to R15.55 a share from R16.97 cents and the year's dividend has been cut to R14.25 from R16.

ICI and DuPont to link in European car paint deal

BY IAN HAMILTON FAZEY IN LONDON

IMPERIAL Chemical Industries, the UK-based multinational and DuPont of the US are linking to launch an assault on the £450m ($800m) a year European market for painting cars.

The "business alliance" involves a joint investment of £50m by the two companies and will have its headquarters in Bonn, based on the Inmont factory which ICI bought from BASF in 1986.

West Germany was chosen as the centre for the new venture because of the strength of the country's motor industry.

The joint investment includes an £10m technical application centre where conditions in car factories can be replicated exactly while paints are being developed.

Mr Jack Lewis, head of DuPont's speciality resins business, is to be chief executive, reporting to a policy committee chaired by Dr Willy Simson, a director of ICI Paints. Operations will begin within six months.

The Western European car paint market is led by PPG of the US with a 25 per cent share, hotly pursued by Hoechst and BASF, both of West Germany, with about 20 per cent each. However, the spread is patchy - for example PPG has about 18 per cent in the UK and 70 per cent in Italy.

DuPont and ICI share about 10 per cent of the European market. The US company has 30 per cent of the US car paint market. ICI holds a similar share of the rest of the world market outside Europe and the US, as well as 35 per cent in the UK.

The world market – about 600m litres of paint worth $2.m a year – is divided nearly equally between the US, Europe, and other countries, including Japan. Increasingly, the paints involved are high technology products which are costly to develop and need global markets to give good returns.

Globalisation of car design and production is demanding worldwide consistency of components and supplies and as a result there are now only three main suppliers in the US motor industry – PPG, DuPont and BASF. CIL, an ICI subsidiary, is strong in Canada. The industry expects a similar trend in Europe.

PPG, which is particularly strong in electrodeposition – where car bodies are dipped in paint and coated by electrolysis – has nearly half the US market.

Bertelsmann sees rise in profits

BY ANDREW FISHER IN FRANKFURT

BERTELSMANN, the West German publishing, music and printing group, expects net profits for the financial year to June 30, 1988, to rise to about DM260m ($156m) from DM207m in 1986-87, Mr Mark Wössner, chairman, said.

Turnover should grow by 14 per cent to DM10.5bn, to yield operating profits of DM725m (DM574m), reflecting a full contribution from its US acquisitions.

"Business is currently going better than planned, on balance." This especially applied to the integration of Doubleday publishing and RCA Records, bought in December, 1986.

Bertelsmann has already said it would absorb the purchase, financing and depreciation costs of its US acquisitions as quickly as possible. This led to the drop in net profits in the 1986-87 financial year from DM329m a year earlier, although this was less steep than expected.

Mr Wössner forecast net profits of around DM370m in 1988-89 and DM450m in 1989-90, when turnover should approach DM12bn. This financial year, investments in current businesses and the development of its worldwide book club interests would total DM1.2bn.

Dino De Laurentiis sued over flotation

BY RODERICK ORAM IN NEW YORK

CLASS ACTION suits have been filed in Los Angeles against Mr Dino De Laurentiis, producer of the remake of King Kong and other blockbuster films, charging that he and his financial advisers misled investors in the public flotation of his company in 1986.

The suits allege that the defendants, including Paine-Webber, the Wall Street firm which led the share offering, failed to disclose material information both before the offering and during subsequent open market sales of the shares.

PaineWebber said it would have no comment on the suits until it had a chance to study them. Mr Richard Greenfield, a partner with the law firm of Greenfield and Chimicles, which is representing the plaintiffs, said the suits were brought on behalf of all people who bought the stock of De Laurentiis Entertainment Group in the May 1986 flotation of 2m shares at $12 each and the sale of $65m of junk bonds.

De Benedetti strikes a timely chord with Europe 1992 launch

EUROPE 1992 is the sort of name for a company that only a man with Mr Carlo De Benedetti's pre-eminent public relations skills could choose.

It perfectly invokes the spirit of a Europe without trade barriers – 1992 being the key date by which a truly internal market should be in place – and particularly in a country like Belgium it conjures up appealing images of dynamic management and clear strategic thinking.

Just as the European Commission's own ideas for Europe in 1992 sometimes seem to be based on wishful thinking, however, so Mr De Benedetti's plans for his new holding company appear at this stage to be somewhat vague.

Opinions in Brussels are divided, but it could just be that the newly created vehicle will play more than a "stand-in" part in the continuing saga of the battle for Société Générale de Belgique.

Europe 1992 was announced early last week as a means for Mr De Benedetti to accommodate his newly acquired Belgian "friends" Mr André Leysen, the Flemish chairman of the financial holding company Gevaert, and Mr Pierre Scohier, the chairman of another Belgian holding group Cobepa.

Gevaert and Cobepa initially each took a 22.5 per cent stake in Europe 1992 (although these percentages have since been modified to take into account other recruits) with the balance held by Mr De Benedetti's Paris based financial holding company Cerus. Europe 1992's only assets are 15.9 per cent of the shares of La Générale previously held directly by Cerus.

In this way Mr De Benedetti is effectively "laying off" the cost of his stake in Belgium's most powerful business, an interest which is widely assumed to have been financed with borrowed money and which has in part been acquired at an extremely fancy price – the current offer BFr8,000 ($228.5) a share is estimated by brokers to be around 2.5 times La Générale's net asset value.

Stockbrokers believe that Cobepa, Gevaert and Mr De Benedetti's other "followers" – including Philips, Nestlé, and Shearson Lehman – are probably buying into Europe 1992 at a price based on Mr De Benedetti's average purchase price for La Générale shares (estimated at BFr4,000 a share).

Cerus has said it will retain a 50.01 per cent in Europe 1992 and thus effective control of the 15.9 per cent parcel of La Générale shares. Presumably the "followers" are hoping that Mr De Benedetti can eventually increase his total stake in the Belgian holding company beyond 50 per cent and thus assume the full management control which he so determinedly seeks.

But what if he does not? The rival Franco-Belgian camp of shareholders led by Compagnie Financière de Suez and the insurance company Groupe AG insists that it speaks for 51.3 per cent of La Générale's capital as things stand, that this would only drop to 50.7 per cent if all warrants were exercised. It insists that this would shoot up to 64.5 per cent if the members of this consortium acquired the authorised but unissued 12m La Générale shares "unblocked" last week by a Brussels court.

At the very least a protracted period of trench warfare now seems in prospect. For the moment all is speculation. Even Europe 1992's location – let alone its plans – remain a mystery.

Tim Dickson

INTERNATIONAL COMPANIES AND FINANCE

Record first half for Fletcher

BY DAI HAYWARD IN WELLINGTON

FLETCHER CHALLENGE, New Zealand's largest company – which last week paid more than NZ$800m (US$536.4m) to take charge of Petrocorp, the oil and gas producer – yesterday reported a record first-half net profit of NZ$298.6m, a jump of 94 per cent, and Sir Ron Trotter, chairman, said the company is on target to achieve NZ$500m for the full year to June.

Reflecting the importance of Fletcher's overseas operations, almost half the interim earnings came from international operations, mainly in North America. By the end of the current year, this share will have risen to more than 60 per cent.

Helping to boost the half-year result was a one-off NZ$123.3m gain from the sale of Fletcher's stake in Goodman Fielder Wattie, the foods giant.

Canadian forestry operations contributed NZ$118.4m of the total profit, more than doubled compared with the same period last year. This offset flatter results from forest product activities at home, although Fletcher was encouraged by a NZ$14.8m profit at Tasman Pulp and Paper, which last time had a NZ$20.3m loss.

Over the past 12 months, the company's assets have increased by 70 per cent to more than NZ$8.41bn. This excludes the Petrocorp acquisition which was acquired after the balance date.

Operating earnings were NZ$587.8m compared with NZ$229.1m. The net outcome included an extraordinary debit of NZ$35.1m, which mainly comprised a NZ$25m payment to the AMP Society of Australia as an indemnity payment for shares Fletcher was unable to buy when the New Zealand Commerce Commission refused it permission to take over NZ Forest Products, its main domestic rival.

Fletcher said that portfolio investments had produced losses of NZ$24.6m as a result of the drop in share market values. In a statement made in response to stock exchange requests, the company added that the valuation excludes subsidiaries, associates and its holdings in NZFP.

Merger of Lion and Nathan more likely

BY OUR FINANCIAL STAFF

A BIG merger in the New Zealand consumer sector, which has faced serious regulatory hurdles *because of its controversial* terms, appears more likely to go ahead after a number of key approvals in the past week.

The New Zealand Stock Exchange cleared one main obstacle to the planned unification of Lion Corporation, the country's largest brewer, with retailer L.D. Nathan by waiving its usual requirement that all shareholders be treated equally.

Lion will not have to offer minority holders in Nathan the same price for their shares as it is to pay Fay Richwhite, a local merchant bank, for its 35 per cent stake. This requirement would have raised the overall cost of the deal to some NZ$1bn (US$670.8m) instead of the value of roughly NZ$750m on the present basis.

Fay Richwhite is receiving NZ$9.20 cash a share while others are being offered merely one Lion *share for every Nathan share*. Lion shares, although up 15 cents at the close yesterday on news of the exchange ruling, were still only at NZ$5.75 – putting a 60 per cent premium on Fay Richwhite's terms. Nathan shares added *10 cents to NZ$5.55*.

However, the acquiescence of the exchange authorities still depends on a clear majority of the remaining independent shareholders in Nathan accepting the offer. Lion has undertaken not to declare the bid unconditional before this is secured.

The merger has been opposed by Malayan Breweries, which is speaking for a stake of some 22 per cent held jointly with Fraser and Neave, an associated Singapore beverage group. Heineken of the Netherlands owns nearly a third of Malayan Breweries.

The exchange said that after buying the Fay Richwhite stake, Lion could have waited three months by which stage it would have been clear to make whatever general offer it chose. Because of this it was granting conditional approval in any event.

Mr Robert Wilson, exchange president, said the terms as they stood were "clearly in breach of the spirit and intentions" of the takeover code and illustrated the absence of any effective takeover law in New Zealand.

The case highlighted the "inequality which could result from one party, acting completely within the law as it now stood, acquiring a significant and strategic holding in a listed company without a corresponding obligation to make a general offer for the remaining shares."

He said it was essential for New Zealand to have formal takeover law rather than its present code of practice and called on Mr Geoffrey Palmer, Justice Minister, to give the highest priority to reform.

An investigation by the New Zealand Securities Commission cleared Lion, Nathan and Fay Richwhite of any impropriety in share dealings, in an interim report on the merger proposal released last week.

On Monday the Commerce Commission, the country's antitrust agency, approved the deal while the following day Lion shareholders voted in favour at an extraordinary meeting in Auckland by a margin of nearly three to one.

Bank Leumi results show sharp improvement

BY ANDREW WHITLEY IN TEL AVIV

BANK LEUMI has reported net profits of $112m for 1987, the largest ever for an Israeli company. The inflation-adjusted figure compares with only $3m for 1986.

The bank was the first of Israel's Big Four to report its annual results. The other three are expected to show similar sharp improvements.

Provisions for doubtful debts at Bank Leumi were hoisted by nearly 30 per cent to Shk288m ($187m at the year-end exchange rate) – contradicting predictions of 12 months ago that their peak had been reached.

Total assets registered a small decline to $25.9bn, while non-government deposits showed little change. Contributing to this apparent stagnation, the bank said, was the decline of the US dollar, in which more than half the balance sheet is denominated.

Under Mr Zadik Bino, its new chief executive, a group shake-up has emphasised a swift return to higher profitability in its core banking activities. Two years ago Bank Leumi lost the top spot in Israeli banking to Bank Hapoalim.

The sale of property and other investments, in spite of a loss of nearly $4m, freed capital for financial operations.

On the basis of first-quarter figures for the sector, Mr Bino forecast a modest decline this year. An average return on capital employed of about 10 per cent appears in prospect.

Arab Bank lifts net profits by 7.7%

By Rami Khouri in Amman

THE JORDAN-BASED Arab Bank group, one of the largest and most international privately-owned Arab banks, achieved a 7.7 per cent increase in net profits to $52m for 1987 and a 7 per cent rise in the balance sheet total to $15.4bn.

"We are satisfied to have maintained our position and kept our profits stable during a difficult period," said Mr Khalid Shoman, the deputy chairman.

While net interest income remained virtually unchanged, income from commissions, foreign exchange earnings, and (mostly Jordanian government) securities rose sharply, lifting total income to $247m from $225m.

The group adopted a more aggressive marketing programme and increased lending by 20 per cent to $3.51bn. Deposits rose from $11.8bn to $12.6bn.

The bank distributed $24.5m in cash dividends, at its usual rate of 35 per cent of par share value (though its shares are trading on the Amman Stock Exchange at over 12 times their par value). Shareholders' equity at year-end was $785.2m, representing a cumulative equity increase of 57.7 per cent in the past five years.

Arab Bank's consistent profitability during the past five years of turbulence in Middle Eastern financial markets has reflected substantial inner reserves, its cautious approach to new banking markets and services, a diversified international network of branches, affiliates, subsidiaries and sister institutions, and a high liquidity ratio, which reached 70 per cent last year.

The group has 73 branches, offices, and offshore units in the Arab world, Europe, the US and the Far East.

Interim earnings drop at Adelaide Steamship

BY BRUCE JACQUES IN SYDNEY

ADELAIDE STEAMSHIP, Mr John Spalvins' complex investment and retailing empire – a former Australian stock market *high-flier* - has suffered a setback in equity-accounted net profits for the December half year.

Earnings slipped by nearly 9 per cent to A$68.4m (US$49.9m) from A$75.1m in spite of a rise in turnover from A$156.9m to A$204.5m and a solid profit lift, on both a conventional and equity-accounted basis, by David Jones, the big Sydney-based retailing group which is one of the main group companies.

David Jones lifted pre-tax profit from A$45.3m to A$55.1m on sales up from A$540.3m to A$618.9m. On an equity-accounted basis, profits rose from A$57.4m to A$63.1m. The interim dividend for each company is being held at 18 cents a share. The Adsteam group *is* characterised by a large number of cross shareholdings.

But the equity share of both Adsteam and David Jones in their associates' profits fell in the half year, the former from A$37.2m to A$30.9m and the latter from A$25.1m to A$22.8m. This reflects lower results from Petersville-Sleigh, although National Consolidated reported a 6 per cent rise in earnings.

The Australian stock market has difficulty in understanding Mr Spalvins' group and has been waiting for him to make rationalisation moves for some time. The share crash and the latest round of lacklustre results from the group may hasten this process.

Yesterday's results also excluded the large stock market losses, mostly unrealised, reported by both companies last month. Mr Spalvins told stock exchanges that David Jones had lost A$345m and Adsteam A$241m in the value of their *share portfolios between the* crash and last December. This reflected cross shareholdings and the 14 per cent held by Adsteam in National Australia Bank.

Adsteam's latest result was struck after tax of A$12.2m against A$16.9m previously, depreciation of A$2.4m compared with A$2.6m, and interest of A$28.4m against A$33.9m.

Sanyo Electric in the red

BY IAN RODGER IN TOKYO

SANYO ELECTRIC, the Japanese *consumer electronics group*, suffered its first ever consolidated net loss, of Y17.53bn ($136.9m), in the year to last November due to the impact of the yen's appreciation and a Y8.4bn pre-tax loss *on* investments.

Combined sales of the company and its seven subsidiaries, including three overseas units, totalled Y1,186bn, up 0.5 per cent. Overseas sales were down 14 per cent because of the strong value of the yen *and increased competition* from newly industrialised countries, but were more than offset by improved domestic demand.

Domestic sales accounted for 53 per cent of the total, exceeding overseas sales for the first time in 12 years. Pre-tax profit dropped 95.1 per cent to Y608m.

For the current year, Sanyo expects a return to net profit with Y8bn on sales of Y1,240bn.

Sara Webb analyses the $1bn takeover offer for Swedish Match

Stora eyes a bargain package

THE DECISION by Stora, Sweden's leading forestry products group, to bid SKr5.9bn ($1bn) for Swedish Match, the world's leading producer of matches, marks Stora's desire to shift away from dependency on pulp and paper towards a more stable product mix.

It is move which several Swedish forestry companies including SCA, the second largest forestry group, have resorted to in the past couple of years. Most have reaped the benefits of strong increases in pulp prices during 1987 when they staged a dramatic increase, from $550 per ton at the beginning of the year to $680 per ton.

However, dependency on such a volatile cyclical product as pulp entails huge risks, and can result in large swings in group profits which is why Swedish forestry companies have been actively acquiring companies in the packaging and consumer products business areas — so that they can achieve a measure of earnings when the pulp price falls again.

Stora sees several advantages in the acquisition of Swedish Match. Back in 1984, Stora acquired Billerud, a domestic rival which makes packaging paper, for SKr3.6bn. Swedish Match has a division called Akerlund + Rausing, which designs, manufactures, and markets packaging and packaging systems.

Akerlund + Rausing contributed SKr1.75bn in sales and SKr110m in operating profit last year.

Mr Bo Berggren, Stora's chief executive, believes that Akerlund + Rausing has great potential for expansion, and that Stora can benefit from providing it with the packaging material in future.

Stora has long seen the packaging sector as an ideal area for expansion, and if Industrivaerden, the Swedish investment group, had not already made a bid for PLM, the packaging company, Stora might have chosen to buy PLM instead as it had already shown an interest in the company.

"If Stora didn't buy Swedish Match, it would have to go into packaging itself" said Mr Claes Dahlbaeck, managing director of Investor, one of the Wallenberg investment companies with a stake in Swedish Match and Stora.

Mr Dahlbaeck pointed out that while pulp prices remain firm, the chief concern is that prices could start to fall by 1990 as new capacity comes into use.

A second advantage in Stora's view is that Stora produces timber and Swedish Match is Sweden's largest user of timber — for matches, doors, flooring and windows.

Stora already supplies Swedish Match with pulp for the consumer products. "As a result of this deal, we hope to be the main supplier to Swedish Match" said Mr Bo Berggren.

Mr Hans Larsson, managing director of Swedish Match, however, pointed out "The synergies are bigger for Stora than for us." Mr Larsson said that Swedish Match's subsidiary called Alby, which makes bleaching chemicals including sodium chlorate for the pulp industry, could benefit from the deal.

Stora is a large consumer of such chemicals and is already involved in a project with Swedish Match to try to develop environmentally-acceptable bleaching chemicals which will meet the tough regulations set by the Swedish government on pollution control. Last year, Alby increased its profits to SKr71m on sales of SKr425m and is one area where future expansion is expected.

Swedish Match is controlled by the Wallenberg investment companies, Investor and Providentia, which together have 89 per cent of the votes and 22 per cent of the share capital.

Stora, which is Sweden's oldest company and which this year celebrates its 700th anniversary, is also in the Wallenberg sphere with the Wallenberg interests amounting to 26 per cent of share capital and votes.

At the moment, it is cash-rich, with cash reserves of SKr5bn to SKr6bn. According to figures released yesterday, it made profits, after financial items, of SKr2.5bn on sales of SKr20.48bn in 1987. The 35 per cent increase in profits has been helped by pulp price increases as well as packaging and cardboard production.

"It is in Stora's interests to invest in lighter industries which are less capital-intensive now" said Mr Hans Larsson, chief executive of Swedish Match.

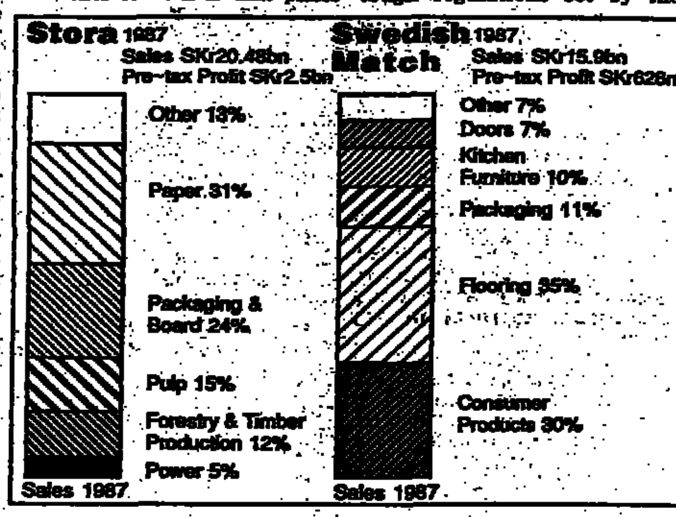
However, the deal has attracted criticism from analysts who believe that Stora's bid at SKr5.9bn is far too low. Swedish Match is forecasting profits of SKr840m for 1988, compared with SKr628m in 1987, and predicts further increases in 1989.

"It appears that Stora is getting Swedish Match very cheap" said Mr Brian Knox, head of Scandinavian equity research at Kleinwort Grieveson.

It is believed that there was also considerable disgreement between the two boards over what price should be offered. However, overseas investors may not look kindly on the way that the Wallenberg position in Swedish Match has enabled Stora to pick up such a bargain.

Though Swedish Match has faced financial difficulties in recent years, it has since been turned round and started to pursue a vigorous acquisition strategy abroad.

Mr Larsson said that Swedish Match would continue to expand. "Obviously we could go to the market if we needed money before, but now with such a very rich parent, it will be easier to make acquisitions" he said.



Creditanstalt expects to show strong earnings rise

BY JUDY DEMPSEY IN VIENNA

CREDITANSTALT, Austria's largest bank expects to report significantly higher profits for 1988 following a flat performance during the past year.

The bank, which is to hold its dividend for 1987 at 12 per cent, said yesterday that partial operating results had fallen by 11 per cent to Sch1.59bn ($136m) but that profits after tax were 1.5 per cent higher at Sch992m.

Mr Guido Schmidt Chiari, chairman, said the bank had been "only marginally affected" by last year's stock market crash. He said that that 1988 would see a strong upturn in profits.

He said Creditanstalt, in which the Austrian state has a 60 per cent shareholding, does not, in the short term, intend to increase its capital, which stands at Sch3.1bn.

Partial operating results last year declined largely because of a narrowing of margins in international business, lower income from currency operations and continuing increases in operating expenses.

Mr Schmidt Chiari said liable capital rose by 11.7 per cent to Sch14.526m, improving the liable capital ratio to 3.60 per cent, 0.2 per cent higher than in 1986. The bank was thus well on the way to meeting the 4 per cent target which Austrian banks have to attain by 1991.

The balance sheet total increased by 4.3 per cent to Sch388.3bn in 1987 while savings deposits and deposits from non-banks both increased 5.8 per cent.

Asea profits expand 22%

BY SARA WEBB IN STOCKHOLM

ASEA, THE Swedish electrical engineering group which merged with Brown Boveri of Switzerland in January, said that group operating earnings increased by 22 per cent to SKr3.48bn ($588.5m) in 1987, helped by the sharp improvement at its power transmission and power distribution divisions.

Group earnings, after financial income and expenses, rose by 12 per cent to SKr2.72bn. Order bookings increased by 16 per cent to SKr56.17bn, boosted by several large contracts for high voltage direct current projects in North America and the Nordic region, as well as a SKr1.3bn order for a power plant in the Stockholm area.

The acquisitions of Elektrisk Bureau in Norway and Stroemberg in Finland also helped to increase order bookings, the group said.

The power transmission division showed operating earnings of SKr514m last year, compared with a loss of SKr75m in 1986, while the division's invoiced sales rose from SKr5.187bn to SKr6.99bn.

For the power distribution division, operating earnings increased from SKr274m to SKr469m, while invoiced sales rose from SKr3.84bn to SKr4.86bn.

Operating earnings for the power plants division dropped from SKr840m to SKr650m while invoiced sales tumbled from SKr6.54m to SKr2.78bn. The fall is attributable to the fact that Asea delivered a large nuclear power plant in 1986 which boosted that year's figures.

Akzo buys Sara Lee DME plant

AKZO, THE Dutch chemical group, has repurchased part of a consumer products group it and Shell Petroleum NV sold for Fl 1.25bn ($664.9m) to Sara Lee Corp of the US last year, writes Our Financial Staff.

It has acquired a dimethylether (DME) manufacturing unit. Akzo said the use of DME to make aerosols was expected to increase because it was less harmful to the environment.

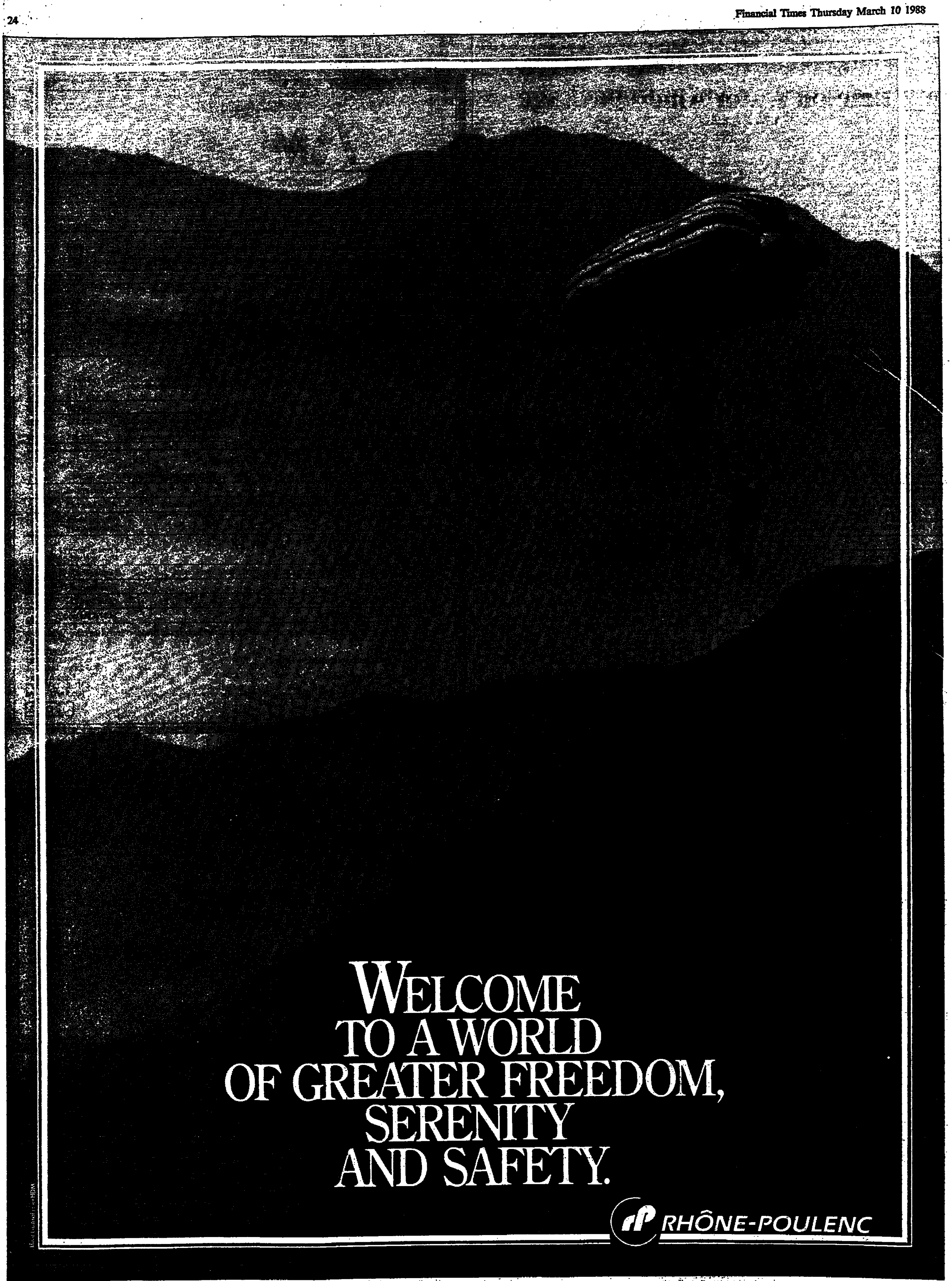
Akzo plans to build a 25,000-tonne DME plant in Rotterdam.

President of Aeritalia dies

MR RENATO Bonifacio, president of Aeritalia, the Italian aerospace group, died yesterday at the age of 64, writes John Wyles in Rome.

Since 1974 as managing director and 1979 as president, he guided his company through a period of growth involving several large international joint ventures.

Born in Naples in July 1923, he entered the public sector in 1957 when he was recruited to IRI by its legendary president, Mr Enrico Mattei.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SERENITY
AND SAFETY.
RHÔNE-POULENC

INTERNATIONAL CAPITAL MARKETS AND COMPANIES

London consortium banks buy time on Latin America

BY DAVID LASCELLES, BANKING EDITOR

THE NEED to make substantial provisions against doubtful Third World loans has dented the profits of the world's largest banks. But it has proved to be nearly fatal to a select breed of London-based consortium banks which specialise in lending to Latin America.

There are four of these banks: Euro-Latinamerican Bank (Eulabank), Libra Bank, European Brazilian Bank (Eurobraz) and International Mexican Bank (Intermex). All are heavily exposed to countries in financial difficulty and all would have been forced into liquidation by now were it not that they have strong parents which are able and willing to bail them out.

The banks were all formed by consortia of banks from Latin America, Europe and the Far East as vehicles for specialised lending in the 1970s. Parents include such banks as Chase Manhattan, NatWest, Banco do Brasil, Bancomer and Mitsubishi Bank. Some banks, like Bank of America, Deutsche Bank, Union Bank of Switzerland and Dai-Ichi Kangyo have stakes in more than one consortium bank.

Because of their unique character, the consortium banks were excused from the Bank of England's normal requirement for a well-diversified loan portfolio as a protection against loss. Eurobraz, for example, has most of its £782m ($1.44bn) of loans out to a single country, Brazil, which was fine during the boom days. But with capital of only £100m it cannot now afford to make the provisions needed to meet the "matrix" laid down by the Bank of England amounting to several hundred million pounds.

The Bank has recognised the plight of these banks by letting them explore special funding arrangements to tide them over until something more permanent can be put in place.

Eulabank, whose year end is September 30, was the first to get to grips with the problem. It had loans of over £600m but capital of only £72m. According to Mr George Cunson, the chief executive, there were a number of choices: go to the shareholders for more capital, arrange some special funding through deposits, or take more drastic action like selling off loans.

Eventually, Eulabank decided to ask its 22 shareholders for $250m in special deposits, to be paid in proportion to their shareholdings. These would be applied as provisions and could not be withdrawn without the prior approval of its auditors, Peat Marwick McLintock, and of the Bank of England.

Ironically, this meant that Eulabank's Latin American shareholders effectively had to stump up provisions for their own countries' loans. But all of them agreed to the scheme, which was signed and sealed last month, and raised the provision level to 28 per cent.

"The consortium banks' predicament raises questions about their longer-term future. What are they, if not warehouses for bad loans?"

Libra Bank, with loans of £1.22bn, came up with a similar scheme but, because its exposure to possible loss was larger, the special deposit amounted to $450m. This brought its provisions up to 28 per cent, like Eulabank. The exercise was particularly onerous for Chase Manhattan which owns 24 per cent of Libra and had to deposit over $100m.

The other two banks have yet to report but are believed to be considering similar schemes. Eurobraz, whose financial year ends on December 31, has been discussing proposals with the regulators of its shareholders but does not expect to make any announcement for several weeks. Intermex, whose year end is not until March 31, is holding a board meeting this Sunday to decide what course of action it should take.

According to Mr Peter Belmont, managing director of Libra, a deposit is a more flexible solution to the consortium banks' problems than asking their shareholders for additional capital. The deposit can be paid back in whole or in part as and when provisions needs decline and he expects Libra to make some profit this year which can be added to its reserves.

The deposit is also more tax efficient: it saves stamp duty, for example, and spares the banks from having to post provisions across their accounts, registering large losses whose tax benefits might not necessarily be recouped at a later date.

The depositors also earn interest on their money, whereas they would get nothing from a capital infusion because none of these banks are paying dividends. On the other hand, the shareholder banks will have to treat their deposit as a loan to Latin America and therefore make a provision against it as well.

Mr Robin Monro-Davies of IBCA, the bank rating agency, says his firm views the arrangement as acceptable because it amounts to permanent capital. "With the uncertainties in Third World debt, this is also a flexible solution," he says.

However the Bank of England stresses that the deposits are only a temporary answer because it views as true provisions only those which have passed across a bank's profit and loss account – which deposits do not. So further work will be needed.

The consortium banks' predicament also raises questions about their longer-term future. What are they, if not warehouses for bad loans? Libra has diversified into the Third World loan trading business and earned enough fees last year to cover its costs. The other banks are also seeking out new things to do. But with all their eggs in one basket, the options are limited.

Barclays increases sterling issue to £250m

By Clare Pearson

THE RAPID increase in the size of a new issue for Barclays Bank, by £50m to £250m, underlined continued support for the sterling sector of the Eurobond market yesterday.

Eurosterling bonds closed about ¼ percentage point higher at the longer end, with dealers seeing good Continental demand, especially for bonds issued by better quality corporate borrowers.

The market was underpinned by the strength of sterling and had shaken off initial disappointment suffered on Tuesday after Mrs Margaret Thatcher, the British Prime Minister, ruled out an early cut in interest rates. This was now being viewed as bullish, since it underlined the Government's commitment to fighting inflation.

Barclays' bond, launched through a Jersey subsidiary, was well received, especially because it was a large issue, promising liquidity. In contrast to the recent crop of subordinated issues for bank borrowers in Eurosterling, it ranks as senior debt.

INTERNATIONAL BONDS

The five-year 9¼ per cent bond, priced at 100⅞, provided an initial 35 basis point yield margin over gilts. This widened out by about 5 basis points after the deal was increased, though the bond still traded within its 1⅞ per cent fees at about less 1.80 bid. The issue was led by Barclays de Zoete Wedd.

Pirelli, the Italian tyre company – a rare issuer in the Eurobond market – took advantage of rapidly growing demand for Ecu bonds with an Ecu80m three-year deal. Bankers Trust International, the lead-manager, said the investment community had an improving view of Pirelli, which is attempting to take over Firestone, the US tyre company.

The 7⅝ per cent issue for Pirelli Financial Services, priced at 101⅛, was bid at less 1.30 compared with 1⅝ per cent fees.

The Ecu sector of the market has been attracting investors' attention recently as the D-Mark has strengthened against the dollar and as the yield differential between Ecu and D-Mark bond yields has widened in the Ecu's favour.

Demand however seems to be focused on shorter-dated bonds for corporate borrowers. An eight-year issue for the European Investment Bank, launched on Tuesday, was quoted at prices outside its fees yesterday.

Crédit Suisse First Boston led an A$50m four-year deal for Girozentrale, the Austrian bank. This 12⅞ per cent bond, priced at 101⅞, also traded within its 1⅝ per cent fees at less 1⅝ bid.

Privatbanken announced a 10 per cent DKr250m three-year bond for Bacob Finance, a subsidiary of the Belgian savings bank, priced at 101⅞.

Eurodollar bonds traded thinly in a narrow range, apparently awaiting US economic data, due tomorrow, to find a new direction.

In the D-Mark market, domestic bonds closed about ¼ point higher though D-Mark Eurobonds rose only about ⅛ point in small turnover.

In Switzerland, bonds rose by about ¼ point in good turnover with supranational issues in particular demand. A SFr200m 4⅞ per cent 10-year bond for the Inter-American Development Bank closed its first day's trading at 98½ comapred with a 100½ issue price.

Belgium tapped the Swiss franc bond market twice yesterday: first with a novel 10-year deal through Shearson Lehman Brothers Finance, and secondly with a five-year bond led by Kredietbank (Suisse). Both issues were for SFr100m.

The 10-year deal, priced at 101¼, pays 4 per cent for the first five years, after which investors may choose to put it. If they do not, they will receive 5 per cent for the rest of the bond's life.

This is the first bond with a "step-up" coupon issued in Switzerland and is designed to attract investors who believe Swiss interest rates are more likely to rise than fall. On its five-year deal yesterday, Belgium paid a 4 per cent coupon but the issue price was set ¼ point lower at 101. Shearson said the bond was offered at less 1¼.

Meanwhile, a new SFr200m bond for Ireland met an unenthusiastic response, with dealers citing oversupply of primary market paper and some resistance to the borrower's name. The 12-year 4⅞ per cent deal, led by Union Bank of Switzerland, was offered at around less 2⅞. The issue price was 100½.

A SFr200m bond for Norsk Hydro met a slightly better response, but it was quoted at around less 1⅞ offered. The 12-year 4⅞ bond, priced at 101⅞, was led by Crédit Suisse.

AIBD wins UK legal exemptions

BY STEPHEN FIDLER, EUROMARKETS CORRESPONDENT

THE BRITISH government has opened the way for the exclusion of the international bond market from important parts of the UK's new securities laws.

The move will allow the Association of International Bond Dealers to be excluded from the provisions of a section of the 1986 Financial Services Act.

It had been claimed that full enforcement of the Act, which would have required the AIBD to seek authorisation from UK regulators, would drive the Eurobond market out of London. The amendment should allow the market to continue operating broadly as it does now.

The amendment was contained in a statutory instrument laid before Parliament, which came into force on February 27.

Technically, it lifts the requirement that all international securities self-regulating organisations must seek authorisation from UK regulators to carry on their business but allows them to continue as designated investment exchanges.

The wording of the amendment, introduced by the Department of Trade and Industry which is responsible for the legislation, appears to be pointedly directed to allow the exclusion of the AIBD.

The Secretary of State can make the exclusions "having regard to such matters affecting international trade, overseas earnings and the balance of payments or otherwise as he considers relevant" and provided that it would "not result in any undue risk to investors." No exclusions have yet been made.

The move will not affect foreign stock exchanges operating in London, or indeed the London stock exchange itself, whose members will be required to fulfil far more onerous reporting requirements than now seem likely for AIBD members.

The AIBD's designated exchange status will also allow certain primary market practices thought to be under threat from the legislation – such as the price support provided to new issues – to continue, provided that the regulations are incorporated into the AIBD rule book.

- Firms which lead-manage new Eurobond issues would have to detail their costs to co-managing firms under new guidelines being drafted by the International Primary Market Association (IPMA), which groups new issue houses, Reuter reports.

The proposed rules will be considered at a board meeting in April, along with other regulations bringing some primary market activities under the aegis of the AIBD in order to comply with the Financial Services Act.

Lead managers are allowed to deduct costs of stabilising the price of a new issue before distributing fees to co-managers.

Brady adviser defends circuit breakers

BY ALEXANDER NICOLL, EUROMARKETS EDITOR

A SENIOR staff member of the US Presidential Commission which examined the October stock market crash yesterday sprang to the defence of so-called "circuit breakers" for financial markets.

The commission's proposal for such mechanisms, which would temporarily halt trading when it became disorderly, has run into criticism, particularly in the UK where the Government and the Stock Exchange are united in their opposition and see halts in the US as a marketing opportunity for London.

Mr Bruce Greenwald, economic adviser to the commission chaired by Mr Nicholas Brady, yesterday attempted to justify circuit breakers on the grounds that they would give market participants time to "re-inform" themselves when transmission of information breaks down.

Delivering the Midland Bank Public Lecture at Bristol University last night, Mr Greenwald said circuit breakers would consist of mechanisms not just for shutting down markets, but for reopening orderly business as quickly as possible.

They would prevent exchanges from being faced with only two unpalatable alternatives: to let disorderly trading continue, as occurred in the US where prices for contemporaneous trades differed by as much as 20 per cent; or to close down, as happened with disastrous consequences in Hong Kong.

Mr Greenwald argued that the problem was not that prices fell sharply on October 19 and 20, but that the flow of information was broken – meaning, for example, that specialists and their customers had asymmetrical amounts of information.

He said a circuit breaker would allow a process of re-information by having a fixed "open order" period during which no trading would take place but specialists' order books would be open for inspection. Orders could be put in, changed or withdrawn during the period. Markets would then be reopened and prices allowed to adjust freely and in as fair circumstances as possible.

Paris SE to abolish fixed tariff next year

BY GEORGE GRAHAM IN PARIS

THE PARIS Stock Exchange will finally abolish its fixed commissions tariff in June 1989, in the wake of the far-reaching reforms introduced this year and culminating in the end of the stockbrokers' closed shop in 1992.

The fixed commissions tariff, which dates back to 1890, is expected to be ended in the detailed decrees elaborating the stock exchange reform bill, which are due to be signed shortly by the Finance Minister.

Stockbrokers still have the status of government officers in France and must swear an oath to the minister on taking office. In common with other closed professions, such as that of notary, fees are fixed by ministerial decree.

The end of the fixed tariff is not expected to lead to a significant reduction in the overall level of stockbroking charges. French commissions are higher than in some other European markets but taxes are relatively low, leaving the total level of dealing costs close to the average.

The tariff had a symbolic value, however, and Mr Xavier Dupont, chairman of the stock exchange, threatened last year to "pack his bags" if it were abolished. Exchange officials indicated yesterday that his statement had formed part of a negotiating position and that Mr Dupont's bags remain unpacked.

Equity commissions start at 0.65 per cent of the transaction cost, falling progressively to 0.215 per cent on deals over FFr2.2m ($389,000). With value added tax on the commission, and a stock exchange tax of 0.3 per cent, the total transaction cost is about 1.07 per cent.

In the UK, commissions are much lower since the abolition of the fixed commission tariff in 1986 but stamp duty amounts to 0.5 per cent. Scandinavian markets also suffer from high stock exchange taxes.

Brokers expect, however, that there may be a considerable change in the structure of dealing charges. Large institutional clients will be able to negotiate for net prices – in which brokerage and dealing costs are included in the quoted share price – while small investors may have to pay something closer to the real cost of their transactions.

The end of the official tariff is also expected to give an impetus to market-making activities. Institutional brokers who see their commission income declining are likely to try to compensate with earnings in the market-making field.

This will require further changes to stock exchange regulations, however, since the current rules on position taking by stockbrokers are highly restrictive.

In spite of efforts by the French Treasury to promote market-making activity, *contrepartistes* or position takers are only allowed to intervene against the flow of the market and are still subject to transaction taxes.

Senior stockbrokers, however, indicate that the ministry has promised them a reduction or even the abolition of the stock exchange tax. Transactions on provincial exchanges are already exempted from it.

Ministry officials refused to comment until the minister has signed the decrees.

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[illegible]

* No information available–previous day's price

† Only one market maker supplied a price

LOW-PERFORMING BUSINESSES CONTINUE TO FACE HEAVY SCRUTINY

UK boost lifts GKN to £147m

BY CLAY HARRIS

GKN, the motor components, defence and industrial services company, yesterday reported a 10.6 per cent advance in pre-tax profits to £146.5m in 1987. A slight fall in trading surplus was more than offset by an increase in contributions from related companies and a reduction in interest payments.

The results, accompanied by an 11.5 per cent increase in total dividend payments for the year, boosted GKN shares by 11p to 335p.

Sir Trevor Holdsworth, who is to retire as chairman in June, said the year had been marked by a much improved performance in the UK which enabled the group to reduce its tax charge from 38.8 per cent to 34 per cent.

Mr David Lees, Sir Trevor's designated successor, said he believed GKN had completed its closure programme. However, low-performing businesses which failed to meet the group's minimum target of 15 per cent return on capital employed would continue to face heavy scrutiny.

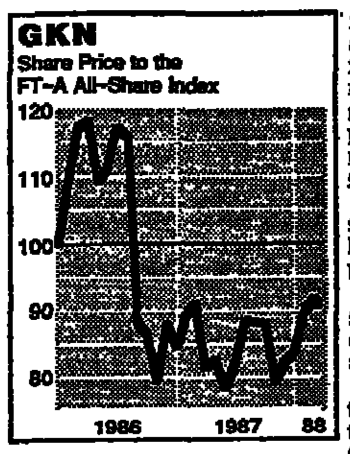
GKN profits by sector (£m)

	1986	1987
Trading surplus	146	138
Automotive & defence	101	92
Industrial services	29	35
Autoparts distribution	7	11
Steels & forging	9	-
Related companies	24	37
Net interest payable	(37)	(29)
Total pre-tax profits†	132	147

†Columns do not add up precisely because of rounding

Turnover fell by 7.8 per cent to £1.9bn (£2.06bn), but sales were up 5 per cent in underlying businesses. Figures were not strictly comparable because of the sale of the steel stockholding division in September 1986 and the spinning off of special steels and forgings into a related company, United Engineering Steels.

The smaller contribution from automotive and defence activities reflected the full-year effect of the lower prices for constant velocity joint products in North America which were negotiated in 1986 in return for long-term supply contracts.



GKN intends to develop defence contracting into a separate sector, roughly equal in size to automotive and industrial services, through the "stepped growth" of acquisitions and joint ventures.

Changes in exchange rates did not have a material effect overall, although they improved results from continental Europe and reduced those from the US. The geographical split of trading surplus was: UK £48m (£34m), continental Europe £69m (£77m), US £13m (£28m), others £8m (£7m).

A progressive decline in pension contributions led to a full holiday from April, improving profits by £3.8m.

An extraordinary charge of £22.4m (£36.5m) included a loss on GKN's disposal for £84m of its stake in Allied Steel and Wire.

Net borrowings at year-end fell to £232.3m (£327.3m). Despite a transfer to reserves of £28.3m (£1.3m), the highest figure for a decade, shareholders' funds fell to £612.7m (£645.1m) as a result of currency movements and goodwill write offs. Gearing declined from 51 per cent to 38 per cent.

Earnings per share rose by 21.8 per cent to 34.7p (28.5p). The final dividend of 9p (8p) raises the total to 14.5p (13p).

See Lex

CRH rises 27% on back of UK profits

BY DOMINIQUE JACKSON

CRH, the acquisitive Dublin construction and building materials group, yesterday announced pre-tax profits up 27 per cent from I£36.2m to I£45.9m on turnover up a quarter from I£567m to I£707m for the year to December 31 1987.

In Ireland profits fell by 10 per cent to I£14.5m, but UK profits more than doubled to I£12.7m. European operations provided I£8m, up 57 per cent, while US profits were I£19.5m.

Mr Tony Barry, chief executive, said CRH, formerly known as Cement Roadstone Holdings, would continue its strategic policy of moving out of Ireland, where operations now accounted for only 25 per cent of the business.

Mr Barry said profits were adversely affected by the slide in the Irish punt against sterling. CRH uses period-end exchange rates which made a I£2.5m difference to final pre-tax profits.

The board recommended a final dividend of 2.64p for a total year dividend of 4p (3.7p). Earnings per share rose 10 per cent to 13.74p (12.4p).

The company made eight acquisitions, representing an investment of I£123m. Total expenditure, including capital investment net of disposals, was I£146m. Six acquisitions were in the US.

He was confident the US remained a vital market for CRH and the company would be on the lookout for further acquisitions there.

● **comment**

These figures were in line with expectations and the shares closed unchanged. The UK operations performed better than expected while higher redundancy costs knocked the Irish contribution to group profits. A similar balancing act was seen in the US where buoyant markets in the Pacific states and North Carolina offset a downturn in construction in the mountain states and Texas. CRH remains bullish about the US and could well take advantage of the weak dollar to scoop up another acquisition over there. Gearing is currently 32.7 per cent, little changed from last year, but the company is highly cash-generative and would have no problem funding another purchase. The jewel in the crown is Catalan Concrete in Spain which CRH won by a whisker from keen competitors such as Steetley. Current forecasts are for I£57.5m giving a prospective p/e of about 9.

Further acquisitions for Pacific Sales

BY PHILIP COGGAN

Pacific Sales Organisation, one of the star "shell" stocks of the pre-October bull market, was on the move again yesterday, announcing two more acquisitions and preliminary results for the six months to December 31 1987.

PSO was a small company importing leather goods from China until a group of investors including Mr Tony Berry, the chairman of Blue Arrow, moved in last year. The news caused the shares nearly to treble in one day.

Yesterday's acquisitions are also in the office services sector. Westcoast is a national distributor of laser printers and is forecasting pre-tax profits of £750,000 for the year to July; Midlands-based Copyplan supplies and services photocopiers and made pre-tax profits of £415,000 in 1987.

PSO is initially paying £5.6m for Westcoast in the form of 2.11m shares and £750,000 cash. The initial consideration for Copyplan is £1.66m made up of 601,000 shares and £275,000 cash. In both cases, further payments may be made dependent on future profits.

The group is changing its year end to December 31 and thus the six month figures represent a full fiscal period. They show pre-tax profits of £695,000 on sales of £5.98m; on an annualised basis this indicates pre-tax profits of £1.2m.

Bond stake in M&G Group lifted to over 9%

By Nikki Tait

Bond Corporation, the Australian company headed by Mr Alan Bond, continues to increase its stake in M&G Group, Britain's largest unit trust company. Yesterday Bond announced that it had acquired a further 700,000 shares, bringing its total interest to 7.05m or 9.22 per cent.

Bond first declared a near-seven per cent interest in late-December, and then notified a further increase to 8.32 per cent in February. Bond's London office has consistently made little comment on the company's intentions towards the British group, while M&G has simply stressed its desire and intention to remain independent. The two sides met last month when Mr Bond was in London.

M&G does, however, have one very large shareholder in the form of Esmee Fairbairn Charitable Trust, with 31 per cent. Britannia Arrow has also built up a holding of just over 5 per cent. Yesterday, M&G shares gained 3p to 376p.

BSN denies UB stake report

BSN, French food group, yesterday denied a newspaper report that it had bought shares in United Biscuits, food and restaurant company. The UB share price rose 11p to 272p on heavy trading volume of 7.9m shares.

UB indicated it had seen no unusual activity on its share register. It is due to report its 1987 results next Wednesday.

Chemical Methods shares suspended

Shares in Chemical Methods Associates, California-based maker of commercial dishwashers, were suspended last night at 22p pending an announcement. The company was floated on the USM in May 1983 through an offer for sale at 115p. In 1986, it reported pre-tax profits of $55,000 on turnover of $9.9m. At the suspension price, it has a market value of £2.64m.

Bank of Near East

A slight fall in taxable profits was reported by Commercial Bank of the Near East for 1987 at £1.02m compared to £1.05m

Hillsdown exceeds City expectations with £110m

BY NIKKI TAIT

Hillsdown Holdings, the food, furniture and property group, yesterday exceeded City expectations with pre-tax profit more than doubled to £110.3m for 1987. In 1986, the company made £54.9m before tax and analysts were expecting £105m to £107m for the past 12 months.

To an extent, the increase reflects the acquisition of some 50-odd companies during the year – ranging from the £169m purchase in July of Maple Leaf Mills, the Canadian agriproducts group, to the likes of Fairview, a housebuilder, and Twydale Turkeys.

However, Hillsdown directors said yesterday that organic growth also exceeded 30 per cent, with the meat, poultry and furniture/timber interests doing particularly well.

The pre-tax figure was achieved on sales of £3.04bn, compared with £1.7bn last time, and earnings per share are up from 16.3p to 22p. The fully diluted earnings figure, allowing for last summer's £150m convertible Eurobond issue, would not be significantly different, said the directors.

They maintained that the progress was well spread throughout Hillsdown's operations, and that current trading results for 1988 were "encouraging". Despite the present uncertainties, Mr Harry Solomon, chairman, predicted "another successful year of growth and progress".

Division	Operating profit £m 1987	1986	Sales £m 1987	1986
Food processing/distr	28.1	15.4	1,046.1	549.2
Furniture/timber	34.7	8.4	669.8	202.5
Fresh meat/bacon	15.8	8.0	630.4	514.8
Poultry/eggs/animal feed	27.5	21.7	452.9	323.0
Property	19.9	5.0	81.5	21.2
Stationery	5.5	5.2	59.7	53.6
Other	6.0	1.9	98.2	38.3
Less head office costs	(2.6)	(2.0)		
Total	134.9	63.5	3,038.6	1,702.5

The company declined to reveal the contribution from Maple Leaf, but says that overseas operations – principally Maple Leaf and the Clearwater fish businesses – contributed £20m to the total operating profit of £134.9m, and produced sales of £275m. Overseas sales are currently running at more than £800m a year.

During the year, acquisitions and capital spend cost more than £600m – with more than £100m going on new capital projects and some £450m on building up the timber and fish interests and the Maple Leaf deal. Businesses sold raised £35m and "other disposals are under consideration where long-term growth projects are considered unattractive", said Mr Solomon. He was not elaborating yesterday, but Hillsdown has previously suggested that there might be scope for selling on parts of the Maple Leaf group.

Nevertheless, Hillsdown was left with net debt of £364m at the year-end – down from its peak of £500m – and gearing of 94 per cent. The company reiterated that it had never been frightened of high gearing levels.

The interest charge last year was £28.5m (£9.7m). Goodwill of £162m was written off and a property revaluation has produced a £101m surplus. Hillsdown's listed investments totalled £82.2m at the year-end compared with £47.1m.

The tax charge of £16.6m (£7.6m) runs out at the expected 15 per cent. If the business were to remain static, Hillsdown currently predicts a charge in the low 20s for the current year.

The shares added 1p to 302p yesterday.

See Lex

Kode climbs to a record £2.74m

Kode International continued the progress it anticipated at the six months' stage and for 1987 as a whole raised pre-tax profits from £2.13m to a record £2.74m.

Mr Ron Marler, chairman, pointed out that the Bristol-based computer equipment group was moving strongly forward and that management at subsidiary and group level were confident and alert to opportunities for future growth. The rationalisation of the information technology division gave greater credibility and increased potential for the future.

Meanwhile, the dividend for 1987 is being stepped up by 2.5p to 15.5p via a final of 10.5p from earnings of 30.7p (23.7p) per 25p share.

Turnover for 1987 totalled £33.39m (£27.78m). Tax accounted for £1.01m (£804,000).

● **comment**

Last June's integration of Kode's information technology subsidiaries is already paying off and the full benefits of rationalisation should be seen in 1988. Kode, which believes it now has the right management in place throughout the group, has also turned Kam Circuits into an efficient manufacturer: three years ago it was losing money, now it rejects only 3 per cent of its printed circuit boards, compared with 25 or 30 per cent on most other companies' production lines. Kode does not break down its preliminary results but IT remains the motor for the company's growth, with Moore Reed, its defence contractor, perhaps the only disappointing subsidiary. This year the group has a strong enough balance sheet to consider acquisitions, possibly in the lucrative computer maintenance sector where Kode is already active, and pre-tax profits of £3.2m are feasible. The shares rose 8p to 363p yesterday and look cheap on a prospective multiple of about 10.

Year-end recovery as Inoco hits £0.23m

Inoco, the property company that completed the sale of its oil subsidiary in October, achieved a pre-tax profit of £233,000 for 1987 following a loss of £33,000 for the first six months. This compares with a loss of £967,000 for 1986. There were extraordinary charges of £2.34m largely related to oil interests. No dividend is to be paid.

Turnover was £3.73m (£1.76m), administration expenses £603,000 (£710,0000), interest paid £862,000 (£76,000), tax £36,000 (£186,000). Earnings per share were 0.4p (loss 5p). At December 31 1987 net assets per 10p share were 30.5p (19.3p).

The company will be seeking approval to eliminate the accumulated deficit on profit and loss account by reducing the amount of the share premium account.

Pittard Garnar below forecasts

BY NIKKI TAIT

Pittard Garnar, the leather group which evolved from the former Pittard and Garnar Booth companies after a bid battle involving Hillsdown Holdings last May, yesterday reported annual pre-tax profits below analysts' expectations at £6.36m.

The Garnar acquisition has been merger-accounted, and on that basis the 1987 figure compares with £5.31m for the combined group in 1986. Turnover was £156.8m, against a restated £121.4m in 1986. Earnings per share came out at 19.6p, against 16.8p.

The former Pittard business alone saw a rise in operating profits from £4.19m to £4.46m, and pushed sales up by 7 per cent, with volume growth accounting for almost two thirds of this. The glove leather business performed strongly, but the shoe uppers leather side suffered a second-half slowdown as UK shoe-makers faced increased import penetration. At the pre-tax level, Pittard made £4.33m (£4.17m), and its margins eased from 9.6 per cent to 9.3 per cent.

Garnar fared less happily in the second half. After making an operating profit of £2.6m in the first six months, it produced only £3.97m in the full year. At the pre-tax level, the figure was £2.01m, against a depressed £1.14m last time, and margins edged up from 1.5 per cent to 1.8 per cent.

The group says that operations which have now been closed contributed losses of £595,000 to Garnar's figures – principally the Atlantic Tanning business in Northern Ireland. Here, clothing leather operations suffered a squeeze on margins as sheepskin prices soared and the shoe uppers side shared the Pittard problem, but with less insulation from higher specification products.

Pittard Garnar has also discontinued its animal by-products business in Scotland, and is negotiating to sell the former Garnar head office in London, which it says will cut out £400,000 of duplicated overheads. Other reorganisation includes the integration of the fellmongery operations with the sheepskin tanneries.

The interest charge last year was £2.33m, and at the year end gearing stood at 56 per cent. Below the line, the cost of reorganisation and closures, offset by some disposal profits, produces a £2.95m extraordinary item. The tax charge is £1.82m.

● **comment**

Pittard abandoned an insulated higher-margin niche within the volatile leather industry when it merged with Garnar Booth last summer and has immediately felt the full force of turmoil at the raw material end. Sheepskin prices have risen by anything from a third to a half, and passing on costs is difficult for Garnar, whose products are less sophisticated than Pittard's. That may change. The merger logic was that Pittard's technical expertise could help Garnar's products, and the closer relationship between the fellmongeries and tanneries looks a sensible management step. Certainly, Garnar's 2 per cent margin on manufacturing operations appears to offer ample scope for improvement, and the bulk of the reorganisation costs should be out of the way. That said, it could be 1989 before much of this benefit works through, and on the shoe leather side there is little comfort all round. It is hardly surprising then that analysts' forecasts vary widely for the current year – anything from £7.5m to £9.5m was being mooted yesterday.

Expansion costs limit Bejam profit growth

BY MICHAEL SMITH

Bejam, frozen food chain, yesterday reported first half pre-tax profits up by 6 per cent from £11.64m to £12.35m.

The 26-week period of 1987-88 compared with 27 weeks in the previous year. Mr John Edwards, finance director, said real growth, after adjusting for the extra week, was more like 10 per cent.

Turnover rose 5 per cent to £268m (£256m). Earnings per share were 6.13p (5.79p) and the dividend was lifted 11 per cent to 2.5p.

Profits growth was held back by a sharp rise in interest charges from £301,000 to £879,000. This resulted from the increased levels of capital expenditure, up from £8.8m to £14.9m.

The company warned that the increased pace of physical expansion meant that interest payments would continue to grow. Mr Edwards said gearing could reach 25 per cent by the year end, against about 20 per cent at the end of 1986-87.

Profits were also hit by October's hurricane, which led to a high level of claims under the company's freezer insurance scheme. Claims for food spoilage, resulting from power failures, resulted in an exceptional charge of £495,000.

Victor Value, bought by Bejam two years ago, has still to make a contribution to profits, although it is paying interest costs arising from its purchase.

Mr Tim Howe, Bejam managing director, said: "We have not got Victor Value right yet." Refurbishment and opening of new stores would help — the plan is to double the number to about 100 — and the company hoped for a profits contribution from Victor next year.

During the period, Bejam opened 15 freezer centres, three Victor Value supermarkets and two Wizard Wine warehouses. At least 11 freezer centres will be opened in the second half.

● comment

Bejam has some way to go before it can regain its former image as a freezer food hot stock. The problem stems from lacklustre volume growth in existing freezer stores — about 1 per cent in the half year reported. Quite sensibly the company has responded by moving into higher value added areas, by refurbishing its stores — this can lift volumes by 5 per cent — and by opening new outlets. The last two of these are, however, taking time to show through to the bottom line and are swallowing up large amounts of capital expenditure. Meanwhile Bejam's diversifications have yet to prove themselves; Victor will have to be expanded before it makes any meaningful contributions and Wizard is, as yet, a drop in the ocean. With the City expecting £25.5m for the year, the share are on a p/e of about 14. On fundamentals alone Bejam is expensive but takeover speculation is unlikely to go away and may even prove to be correct.

Ramadan and bad UK weather hit Vimto sales

By Andrew Hill

The vagaries of the Middle Eastern soft drinks market and a third poor summer in the UK slowed profits growth at J.N. Nichols (Vimto), manufacturer of the eponymous fizzy drink and cordial.

Group turnover advanced to £30.8m (£28.7m) for the year to December 31, but profits were almost static at £5.96m before tax, against £5.91m.

Exports to the Arabian peninsular were disappointing. Daytime fasting during the religious festival of Ramadan lowers the blood sugar level of the faithful and Nichols says Vimto provides the ideal replacement.

The festival is two weeks earlier every year and the company thought exports of Vimto concentrate would rise in the second half of 1987 as the Saudi Arabian canning and bottling plant stocked up for the April Ramadan.

However, improved efficiency meant the factory could afford to buy its Vimto later and the sales bulge will appear in the first half of 1988. This year they dropped to 8.3 per cent.

The group, which has no borrowings, is also looking for acquisitions, possibly in the catering market, where Cabana, its bar-top drink dispensing subsidiary, is already active.

Earnings per share in 1987 increased to 21.5p (20.6p) and the board is recommending a final dividend of 4.6p, making 7.75p (7p) for the year.

Improving prosperity in north east lifts Tyne Tees TV 54%

BY DOMINIQUE JACKSON

Tyne Tees Television Holdings yesterday reported a 54 per cent increase in pre-tax profits from £4.2m to £6.5m for the year ended December 31 1987.

Continued efforts to cut costs and a "pleasing" rise in turnover, up 9 per cent from £52.2m to £56.8m, were the main reason for the successful results, according to chairman Sir Ralph Carr-Ellison.

The directors recommended a final dividend of 20p, making a total for the year of 27.5p per share (18.75p). After tax of £2.49m (£1.62), earnings per share were 78.83p (50.85p).

Mr David Hellewell, director of finance, said Tyne Tees' continued success reflected the growing prosperity of the north east, which was clearly emerging from years of economic decline.

"Perceptions of the region are definitely improving. There is increased investment and better employment opportunities. Lower transport and housing costs often mean that viewers in the area have relatively high disposable incomes," he said.

There had been an encouragingly high level of financial advertising from advertisers such as building societies and banks. This accounted for 14 per cent of turnover.

This was shown by a reduction in overtime and freelance costs which can be penal for independent television contractors. Overtime accounted for less than 10 per cent of Tyne Tees staff costs while in many larger TV companies it accounted for up to 30 per cent, Mr Hellewell said.

Staff relations were good following the settlement of a dispute with 37 electricians in December, he added.

Commenting on the imminent White Paper on Broadcasting, Mr Reay said Tyne Tees would certainly be bidding to retain its franchise if the government decided upon an auction system.

He expressed concern that an auction system could jeopardise the regional structure of independent television which was one of its major strengths.

● comment

Tyne Tees pleasantly surprised everyone with these figuresand it was a pity that its performance was eclipsed by yesterday's other developments in the soap opera of British television. The north east seems finally to be emerging from years of economic gloom and Tyne Tees' substantial investment in marketing has paid off with a handsome increase in advertising revenue. However, the spectre of the White Paper looms large for the television contractors and the company must continue the costs fight if it is to be confident of retaining its franchise. Part of its £12m cash pile will probably be used as a bank in any bid for the franchise but some will be profitably invested in producing more upmarket programmes to accompany hits like The Tube and Supergran. Current year forecasts for £7.5m give a prospective multiple around 6 which, although apparently on the cheap side, reflects continued doubts about the region and uncertainties ahead for the whole industry.

Drayton Japan plans to adjourn meetings

By Nikki Tait

Drayton Japan, the MIM-managed investment trust whose shareholders have asked the board to supply a discount-eliminating scheme with full cash option, says it intends to adjourn Monday's shareholder meetings.

The meetings had been called to consider the board's plans for the fund, which involve turning it into a split level trust with different classes of capital and income shares. Monday's meetings will still take place, but chairman Lord Stevens will propose the adjournments "to enable the board to consider an alternative proposal to meet the objectives of the resolution passed at the egm on March 2."

The adjournment has the tacit agreement of AJS Partners, the US investment company, which has a 27 per cent voting stake in Drayton and leads the pressure for a discount-eliminating scheme with a cash exit route.

However, AJS made clear yesterday that it expects swift action from the Drayton board. It points out that the resolution passed at the egm called on the board to submit new proposals at a further egm within 30 days; if that timetable was to be met fully, notices of the new meeting should have gone out last night.

Drayton says it recognises that the next scheme "needs to be the right solution," involving consultation with all major shareholders, and that it is in all interests that matters move quickly. However, it adds that it might take several months before any scheme could be implemented.

John Michael approached

SHARES in John Michael Design, the USM-quoted design consultancy, jumped nearly 20 per cent yesterday after the company revealed it had received an approach which might lead to an offer for the company.

The shares ended the day 6p higher at 38p after the company said the offer was couched at a price not much over 38p.

John Michael suffered a substantial fall in profits in 1986-7 and interim losses after expenses in the first half of this year increased sharply. A refinancing package organised by Hillsdown Investment Trust then fell through. HIT alleged it had not been told at an early enough stage about litigation in which John Michael was involved.

Jack Israel £6m sale

Jack L Israel, fruit and vegetable importer, yesterday sold Longfield, its subsidiary which was licensed to use the Carnation trade mark for canned fish, for £6m.

The buyer is Nestle, Swiss foods group, which acquired Carnation three years ago.

Longfield had been acquired by Jack L Israel as part of the John Martin Group which it bought for £5.6m in April 1987. The sale thus means that Jack L Israel has made an immediate profit and it still retains the remainder of the business with an annual turnover of over £20m.

Six offers on table for Gnome Photographic

Gnome Photographic is considering up to six offers from potential acquirers. One of these is Mr Stuart Robertshaw, a Yorkshire businessman, who already has 10 per cent of the company.

Gnome is the only remaining UK manufacturer of enlargers and overhead projectors. Mrs Brass, the daughter of the previous chairman, owns 65 per cent of the shares through a family trust.

Mr Tim Deacon, of Singer and Friedlander which is advising Gnome, said that no formal offer had yet been received for the company.

Minty acquisition

Minty has agreed to acquire Architectural Trading Company, a private company controlled by Mr S.A. Fussell, non-executive chairman of Minty, for about £3.29m to be satisfied by the issue of new ordinary shares.

ATC owns the freehold of a group of buildings in Camden, London, valued at £4.25m subject to a mortgage of £2.5m. Minty intends to refurbish the premises over the next five years at a cost of about £2m.

Waverley Cameron

Holders of 11.68 per cent of the enlarged share capital of Waverley Cameron have accepted the 530p standby offer (equal to 75p after a recent subdivision and scrip issue) from Sanda Investments, the Scottish stationery maker's new majority shareholder. The acceptances raise Sanda's interest to 64.45 per cent. Waverley Cameron shares closed unchanged at 78p.

Hewitt profits down

Reduced pre-tax profits of £796,712 were announced by J Hewitt & Son (Fenton) for 1987 compared with £1.32m previously. Turnover for the company, which makes industrial and domestic refractories, fell from £10.76m to £9.51m.

An unchanged final dividend of 4p is recommended, which maintains the total for the year at 5p. Earnings per share were nearly halved to 18.3p (35.5p).

The directors said the research and development carried out in previous years into new markets was leading to increased orders.

Tax took £297,511 (241,425).

Macarthy says UniChem exploits status

BY DAVID WALLER

MR NICHOLAS WARD, chairman and chief executive of Macarthy, yesterday condemned UniChem — the pharmaceutical wholesaler for which Macarthy is offering £85m — as "the unacceptable face of the co-operative movement".

Mr Ward claimed that UniChem was exploiting its unusual status as a friendly society to behave in a way that would be irresponsible and illegal in a public company. He made particular reference to the profits forecast and share valuation contained in a UniChem defence document.

According to the chairman of the quoted healthcare group, UniChem's valuation of £100m, prepared by advisors Phillips & Drew on the assumption that UniChem turn itself into a company and float now instead of in two years time as planned, is "wholly hypothetical". He contends that: "Its turnover has been hyped-up by a share incentive scheme that no public company would be allowed to use."

UniChem is offering to sell new shares to chemists at £1 each, compared to what it claims is a present day value of £36, on the condition that they spend more with UniChem.

DIVIDENDS ANNOUNCED

		Current payment	Date of payment	Corres-ponding div	Total for year	Total last year
Abbott Mead	fin	2.7	-	2	4.5	3.5
Attwoods	int	2	July 29	1.5	-	6
BICC	fin	9†	July 1	8.25	13	11.75
Bedford (Wm) §	fin	3	-	3	4.65	4.5
Bejam	int	2.5	Apr 29	2.25	-	4.75
Cry... §	fin	0.5†	-	-	0.5	-
CRH	fin	2.64	-	2.40	4	3.7
Fed. Housing	fin	3.3	Apr 25	2.7	-	4
Haggas (John)	int	1	Apr 29	1	-	3
J Hewitt	fin	4	-	4	5	5
Hillsdown	fin	3.5	July 1	2.75	4.75	3.8
Jourdan (Thos)	fin	3.5†	-	3.25	4.85	4.5
Kode Intl	fin	10.5	-	9	15.5	13
Miss World Grp §	fin	6	-	4.5	8	6
JN Nichols	fin	4.6	-	4.1	7.75	7
Pittard Garnar	fin	4.15	-	4	5.9	5.12
St Modwen Props	fin	0.5	Apr 27	0.2	0.5	0.22
Tyne Tees TV	fin	20	May 9	15	27.5	18.75
Ultramar	fin	4.2	May 27	3.25	6.5	5.25
Woodchester	fin	0.534☆	-	0.75*	1.12	1.25*

Dividends shown pence per share net except where otherwise stated. *Equivalent after allowing for scrip issue. †On capital increased by rights and/or acquisition issues. §USM stock. §§Unquoted stock. ¶Third market. ‡For 14 months. ☆Irish pence throughout. ☆For 9 months.

BOARD MEETINGS

The following companies have notified dates of board meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering dividends. Official indications are not available as to whether the dividends are interims or finals and the sub-divisions shown below are based mainly on last year's timetable.

TODAY

Interims- [illegible]

Finals- [illegible]

FUTURE DATES

Interims-

Alba [illegible]
Benchmark [illegible]
Coast [illegible]
Lloyd Thompson [illegible]
Oil Production [illegible]
Town Centre Securities [illegible]

Finals-

Arcolectric [illegible]
Camellia Investment [illegible]
Church & Co [illegible]
Corah [illegible]
Croda International [illegible]
Derwent Valley [illegible]
Duncan (Walter) Goodricke [illegible]
Gest [illegible]
Hamilton Oil Corporation [illegible]
Jones (A.) [illegible]
Keep Trust [illegible]
London and Scottish Marine Oil [illegible]
Wimpey (George) [illegible]

UK COMPANY NEWS

CANADIAN AND INDONESIAN OPERATIONS BOOST OIL INDEPENDENT

Ultramar back to profit with £47m

BY STEVEN BUTLER

Ultramar, the independent oil company, returned solidly to the black in 1987, yesterday reporting after-tax profits of £47.1m, compared to a 1986 loss of £62.1m.

In sterling terms sales fell from £1.3bn to £1.04bn, although the fall was entirely accounted for by the weakness of the US dollar.

Most of the company's business is conducted in dollars, and the stated results were badly affected by the company's accounting practice of calculating exchange values on year-end rates.

Ultramar's refining and marketing operation in eastern Canada, where the company has a 13.6 per cent market share, showed operating profits of £60.1m, up from £48.0m in the previous year. Some 129,000 barrels per day of refined products were marketed in the fourth quarter, while retail gasoline sales rose 3.5 per cent during the year.

The directors said that Ultramar had plans to upgrade its refinery operation to increase capacity for lower grade, less expensive crudes. Annual throughput at the Quebec Refinery was 96,500 barrels per day.

The other major profit centre – gas production in Indonesia – contributed profits of £26.1m.

Contributions from Ultramar's North Sea operation rose from £8.1m to £9.6m. Overall, oil production averaged 27,200 barrels per day in the fourth quarter, while gas production averaged 387.3bn cu ft per day.

The group benefited from a sharp fall in financing charges, from £47.9m to £37.8m, as indebtedness fell. Gearing stood at 66 per cent at the year end, and the group had £100m cash available.

The tax charge also fell during the year, from £63.9m to £55.2m. Exceptional items included £7.4m from the sale of assets and a £3.9m reorganisation and restructuring charge, making for a net contribution of £3.5m. This compares to a £4.6m charge in 1986.

Ultramar plans to use available funds to purchase production facilities and reserves in the US, western Canada, and the North Sea. In particular, it will concentrate on deep gas exploration in the US with a view to bringing reserves rapidly into production.

Earnings per share came to 15.8p, compared to an 8.1p loss last year, and the dividend reached 6.5p, compared to 5.25p in 1986.

● **comment**

Ultramar has made a credible effort to weed out some of the money losers in its collection of businesses. It is now left with a fairly solid core of upstream UK and Indonesian assets, and a money earner with a strong position in refining and petrolretailing in eastern Canada. The Californian operation has returned to profitability with the sale of the loss-making refinery. Yet while earnings now look to be on a more solid basis, they cannot justify the trading range of Ultramar shares at about 250p. A 3.9 per cent prospective yield for Ultramar compares with a 7.2 per cent prospective for Shell. The shares have been lifted by repeated takeover rumours, because most asset valuations of the company would put it over 300p per share on break-up.

Vosper returns to market with £49m tag

BY PHILIP COGGAN

Vosper Thornycroft Holdings, the warship builder and former British Shipbuilders subsidiary, has announced the details of its placing on the main market, valuing the company at £49.3m.

The original Vosper and Thornycroft companies were founded in the nineteenth century and merged only as recently as 1966. The combined group was nationalised, as part of British Shipbuilders in 1977, but came back into the private sector in 1985 via a management buy-out, backed by County Bank Development Capital and Wren Investments.

The company specialises in manufacturing minehunters made of non-magnetic glass reinforced plastic. Vosper has built 13 of these vessels for the Royal Navy and is currently designing and building the first of the Sandown class of minehunters. The Ministry of Defence accounts for some 40 per cent of the group's turnover.

Barry Jones (left), financial director, Roy Withers, chairman, and Peter Usher, managing director: current year pre-tax profits forecast at over £8m.

Pre-tax profits have been uneven over the last five years falling from £6.56m in 1983 to £4.08m in 1984, rising to £8.43m in 1985, falling again to £2.47m in 1986 before increasing once more to £5.5m last year. The company is forecasting profits of £8.1m for the year to March 31 1988, not including an exceptional credit of £2.7m.

County NatWest and Panmure Gordon are placing 7.92m shares, just under 26 per cent of the equity, at 160p each.

Confident Cityvision ahead

SHARPLY increased pre-tax profits were reported for the 12 months to end-November 1987 by Cityvision, the acquisitive USM-quoted video film hire group.

And Mr David Quayle, chairman, stated that the outcome for the current year should again be "substantially in excess" of the previous year.

Profits advanced to £1.06m (£307,000) on turnover ahead 82 per cent to £4.17m. Tax took £349,000 (£104,000), leaving earnings per 5p share of 2.48p (1.27p).

Cityvision intends to return to the dividend list via a recommended payment of 0.5p for the year – the first distribution since 1983.

The group launched a £4.4m rights issue in October last year, partly to fund the purchase of the outstanding 50 per cent of Videoserve, a pre-recorded cassette leasing concern. The rights flopped with shareholders, largely due to the stock market crash, but was fully underwritten.

Mr Quayle said that Cityvision expected to carry foward expansion plans – £1.4m of the rights issue proceeds was used to boost cash resources – without substantial gearing.

William Bedford up to £0.8m

A SHARP downturn in interest receivable and other income left William Bedford, USM-quoted antique dealer and restorer, with profits for 1987 just £57,700 ahead at £817,049 pre-tax. At six months the advance was one of £147,198.

This followed the directors' policy of holding all surplus cash on deposit. They pointed out that if these figures were excluded from the full year results, profits before tax would have shown a 22.6 per cent increase over those for 1986.

Trading for the current year had not yet shown a recovery from the October stock market crash. However, overseas trade customers had continued to report satisfactory sales.

Turnover for the past year improved to £2.56m (£2.35m). Earnings per 5p share worked through at 11p (10.2p) and a final dividend of 3p makes a total of 4.65p (4.5p).

British Land

British Land has acquired the shares it does not already own in Rosehaugh Greycoat Estates, the beneficial owner of 1 Finsbury Avenue, the 250,000 sq ft office development in the City of London for £18.7m.

Woodchester profits double

Woodchester Investments, Dublin-based leasing and finance group, announced pre-tax profits of I£7.8m (I£4.84m) for the nine months to December 31 1988, against I£3.83m in the year to March 31 1987. Mr Craig McKinney, chairman, said the period had been one of very substantial growth and development for the group, and prospects had been further enhanced by the recommended offer for Moorgate Mercantile Holdings instalment credit group, revealed last month.

A final dividend of 0.525p (0.75p adjusted) is proposed, making 1.125p for the nine months (1.25p to March 31). Earnings per 20p share moved up from 5.55p to 6.75p after tax of £1.28m (£336,000).

Gross rentals for the period were £58.67m (£21.92m) and trading profits came out at £6.14m (£3.63m) with associates adding £1.66m. There was an extraordinary £15.28m debit – a one-off deferred tax provision arising from the directors' view of the consequences of Irish budget proposals announced in January.

Woodchester is a subsidiary of British & Commonwealth Holdings and the year end was changed to accord with that of the parent company.

Subsidiary hits Thos Jourdan profit

Thomas Jourdan, investment holding company, suffered a £231,000 profits downturn to £1.83m pre-tax for 1987 despite achieving a 21 per cent improvement in turnover to £19.09m.

Distribution and administration costs accounted for a total £4.03m (£3.1m) and there was a nil contribution from the associate (£64,000). Interest charges accounted for £247,000 (£225,000).

Earnings per 10p share amounted to 9.45p (12.65p) or 8.7p (12.15p) fully diluted. A final dividend of 3.5p makes a total of 4.85p (4.5p).

A downturn in operating profits to £2.08m (£2.28m) was largely due to the failure of one of the Suncrest subsidiary's suppliers to meet orders for a component which dislocated production.

Suncrest, however, began 1988 with a larger order book than was usual. The directors said this indicated that some of the sales not delivered in 1987 had been carried over into 1988.

They pointed out that the group had expanded considerably and they believed sales would be much higher in 1988 with a resultant increase in profits.

Imry profits forecast

BY PAUL CHEESERIGHT, PROPERTY CORRESPONDENT

Imry International, the property development and investment company currently engaged in an agreed all-share takeover bid for City Merchant Developers, yesterday predicted pre-tax profits for the year to March 1988 of not less than £7.5m. It anticipated the payment of a final dividend of 5p a share.

The predictions are contained in the offer documents sent out to Imry and CMD shareholders. In each case they mark a sharp increase over the results for the year to March 1987 when pre-tax profits were £2.07m and total dividend payments were 2p a share. Imry shareholders received a 1987-88 interim dividend of 2.5p.

Imry's forecasts follow the announcement on Tuesday of a dramatic turnround in the figures of City Merchant Developers, formerly known as Rivlin. Pre-tax profits for the year to December 1987 were £8.7m against a loss the previous year of £149,000.

The merger of Imry and CMD would bring together two medium-sized companies into a group with a market capitalisation of about £190m and an extensive development programme running from City of London offices to the conversion of St George's Hospital at Hyde Park into a hotel and offices complex.

Guthrie in £2.7m acquisition

Guthrie Corporation has purchased P.C. Cox (Newbury) for £2.7m plus a further sum, not exceeding £950,000, depending on Cox's accounts for the year to March 31 1988. Cox, which makes adhesive and mastic applicators, will join Guthrie's textiles and floor coverings division.

Balfour Beatty helps lift BICC profit 27% to £128m

BY DAVID WALLER

A STRONG performance from Balfour Beatty and the benefits of cost cutting in its cable businesses helped BICC achieve a 27 per cent increase in 1987 pre-tax profits and a 31 per cent advance in earnings per share. Ahead by £27m to £128m, taxable profits were in line with City expectations.

Sir William Barlow, chairman, said that the figures demonstrated once and for all that the company was not on a profits plateau. "BICC is really motoring," he contended, "and is going to carry on motoring."

BICC Cables improved its contribution by 46 per cent, making profits of £34.2m on turnover up just £4m to £471m. Productivity advanced by 50 per cent, reflecting the loss of nearly 700 employees in the division during the year.

The chairman said that further productivity gains within this division were in sight. Turnover per employee had risen from £41,000 to £52,000 over 1987 and a target of £75,000 to £80,000 was in sight for the current year.

Balfour Beatty's profits climbed by over a third to £36.7m (£27.2) on turnover up £199m to £1.19bn, helped by vigorous activity in UK construction and contracting markets. Also included was a first time contribution from Clarke Securities, the housebuilder bought for £51m last September.

BICC Technologies fared badly, with profits down from £11.5m to £7.1m on turnover up £16m to £199m.

Sir William said that the division, which spans a clutch of small electronics companies, had suffered because of the costs incurred in commissioning a new factory complex in Merseyside.

Adverse currency movements curtailed BICC International, where profits were 12 per cent ahead at £57.9m on turnover of £199m (£183m).

Over the group as a whole, which derives approximately half its sales overseas, pre-tax profits were down by £3.4m because of currencies.

Pre-tax profits were boosted by a reduced interest charge (down £5m to £8m)

Group turnover was up 16 per cent to £2.49bn. Earnings per share were 29.8p (22.7p) and the final dividend 9p, making 13p for the year against 11.75p in 1986.

● **comment**

Three cheers for BICC: it has at last beaten its 1981 performance, when it made pre-tax profits of £102m on turnover of £1.6bn. Nevertheless, yesterday's record figures did not set the City alight and the shares closed down 9p at 338p. Perhaps this response reflects disaffection with a parsimonious dividend increase – more likely, a feeling that BICC is never going to become the exciting investment it promised to be at the turn of the decade. The problem is that the company is locked into low-growth markets. Balfour Beatty, for example, is unlikely to muster organic growth of more than 6 per cent this year, even if boom conditions continue. And in the Cables division – where margins improved from 5 to 7.26 per cent last year – cost-cutting cannot continue indefinitely. Without the benefit of a pension fund holiday, but with a full contribution from Cablec and Clarke, BICC should make no more than £145m this year. This puts the shares on a market multiple over just over 10 – a solid rating, underpinned by a prospective yield of nearly 6 per cent.

UK ECONOMIC INDICATORS

ECONOMIC ACTIVITY-Indices of industrial production, manufacturing output (1980=100); engineering orders (1980=100); retail sales volume (1980=100), retail sales value (1980=100); registered unemployment (excluding school leavers) and unfilled vacancies (000s). All seasonally adjusted.

	Indl. prod.	Mfg. output	Eng. order	Retail vol.	Retail value*	Unem-ployed	Vacs.
1986							
2nd qtr.	108.5	103.4	96	121.3	154.0	3,203	175.6
3rd qtr.	110.4	104.4	95	123.7	158.7	3,202	200.2
4th qtr.	110.6	106.9	96	126.5	194.3	3,141	213.0
1987							
1st qtr.	111.3	106.5	95	125.4	156.9	3,073	210.4
2nd qtr	112.1	108.6	96	128.3	165.9	2,965	225.1
3rd qtr	114.0	111.4	91	131.8	171.8	2,827	241.3
4th qtr	115.4	113.0	94	133.4	210.8	2,658	262.1
June	111.8	108.9	96	129.4	167.2	2,925	233.7
July	113.3	110.4	94	131.0	173.6	2,876	235.2
Aug.	114.8	112.2	93	132.1	171.0	2,829	236.9
Sept.	113.9	111.7	91	132.6	170.9	2,773	246.6
Oct.	115.2	112.9	92	133.6	180.8	2,712	261.4
Nov.	115.2	113.2	94	133.6	198.3	2,649	268.2
Dec.	115.9	112.8	94	133.5	244.9	2,614	256.6
1988							
Jan.				134.9	176.6	2,563	249.3

OUTPUT-By market sector: consumer goods, investment goods, intermediate goods (materials and fuels); engineering output, metal manufacture, textiles, leather and clothing (1980=100); housing starts (000s, monthly average).

	Consumer goods	Invest goods	Intmd. goods	Eng. output	Metal mnfg.	Textile etc	Housg. starts*
1986							
2nd qtr.	105.2	99.5	116.0	101.4	110.0	104.2	19.5
3rd qtr.	106.4	99.3	117.2	101.8	108.8	102.1	19.4
4th qtr.	108.5	101.7	115.8	104.3	114.4	104.5	15.5
1987							
1st qtr.	107.7	101.0	117.9	103.3	114.5	103.2	17.4
2nd qtr	110.4	101.8	117.6	104.7	119.9	105.0	19.6
3rd qtr	112.6	105.4	118.7	106.4	120.8	106.5	20.3
4th qtr	113.8	108.2	119.5	110.3	121.4	107.5	17.3
June	110.4	102.5	116.7	105.0	121.0	105.0	20.2
July	112.3	102.7	118.7	106.0	122.8	107.0	20.9
Aug.	112.7	107.6	119.4	110.0	122.0	107.0	17.9
Sept.	112.7	106.4	117.9	109.0	119.0	106.0	22.1
Oct	113.9	107.8	119.3	110.0	122.0	108.0	18.1
Nov.	113.0	109.2	119.0	111.0	125.0	107.0	15.8
Dec.	114.6	107.7	120.1	110.0	118.0	108.0	14.9
1988							
Jan.							17.1

EXTERNAL TRADE-Indices of export and import volume (1980=100); visible balance, current balance (£m); oil balance (£m); terms of trade (1980=100); official reserves.

	Export volume	Import volume	Visible balance	Current balance	Oil balance	Terms trade	Reserves US$bn
1986							
2nd qtr.	121.9	129.1	-1,608	+146	+765	102.5	19.30
3rd qtr.	122.6	139.0	-2,591	-856	+631	103.2	22.43
4th qtr.	129.9	142.3	-2,564	-818	+823	100.9	21.92
1987							
1st qtr.	129.5	133.5	-1,211	+496	+1,159	100.4	27.04
2nd qtr	126.6	141.1	-2,317	-594	+1,016	103.4	34.36
3rd qtr	130.6	151.1	-3,109	-1,207	+936	103.7	34.81
4th qtr	134.8	152.5	-2,988	-1,188	+1,073	103.9	44.33
July	130.1	148.8	-991	-357	+267	103.2	34.91
Aug.	127.6	154.8	-1,424	-790	+359	103.8	34.36
Sept.	134.1	149.7	-695	-61	+310	103.9	34.81
Oct.	131.8	148.4	-932	-322	+394	103.7	41.40
Nov.	135.4	154.9	-1,056	-456	+333	103.7	41.28
Dec.	137.1	154.9	-1,010	-410	+346	104.2	44.33
1988							
Jan.	126.0	151.5	-1,505	-905	+359	104.3	43.09
Feb.							42.98

FINANCIAL-Money supply M0, M1 and M3 (three months' growth at annual rate), bank sterling lending to private sector, building societies' net inflow; consumer credit†; all seasonally adjusted. Clearing Bank base rate (end period).

	M0 %	M1 %	M3 %	Bank lending £m	BS inflow £m	Cnsmer credit† £m	Base rate %
1986							
3rd qtr.	5.9	30.3	15.4	+6,995	168	+770	10.00
4th qtr.	7.6	15.3	14.1	+10,516	2,814	+501	11.00
1987							
1st qtr.	1.2	20.6	20.2	+6,733	1,466	+977	10.00
2nd qtr	3.3	29.7	29.3	+8,564	1,904	+1,088	9.00
3rd qtr	8.1	35.2	21.7	+11,506	1,211	+874	10.00
4th qtr	7.2	23.3	23.7	+11,221	3,007	+946	8.50
June	4.5	30.8	21.9	+3,989	556	+337	9.00
July	7.7	34.5	24.2	+4,531	347	+277	9.00
Aug.	7.1	22.5	21.0	+2,651	667	+250	10.00
Sept.	9.5	19.5	21.4	+4,324	197	+347	10.00
Oct.	6.9	36.7	28.0	+2,977	812	+340	9.50
Nov.	7.1	23.2	21.3	+3,301	1,126	+357	9.00
Dec.	7.6	11.6	21.7	+4,943	1,069	+249	8.50
1988							
Jan.	3.7	1.0	8.3	+5,494	890	+320	8.50
Feb.							9.00

INFLATION-Indices of earnings (Jan 1980=100); basic materials and fuels; wholesale prices of manufactured products (1980=100); retail prices and food prices (Jan 1987=100); Reuters commodity index (Sept 1931=100); trade weighted value of sterling (1975=100)

	Earn-ings*	Basic matls.*	Whsale. mnfg.*	RPI*	Foods	Reuters' cmdty	Sterling
1986							
2nd qtr.	184.0	125.8	145.7	97.8	98.7	1,714	76.1
3rd qtr.	187.4	120.6	146.3	97.9	98.3	1,464	71.9
4th qtr.	191.9	127.4	147.4	99.1	99.3	1,608	69.2
1987							
1st qtr.	192.0	129.8	149.3	100.3	100.5	1,550	69.9
2nd qtr	199.0	128.7	150.9	101.9	101.8	1,598	72.8
3rd qtr	202.0	131.0	151.6	102.1	100.5	1,647	72.7
4th qtr	205.9	134.4	152.8	103.2	101.7	1,683	74.9
July	203.1	130.5	151.3	101.8	100.4	1,632	72.8
Aug.	201.6	131.3	151.5	102.1	100.7	1,665	72.3
Sept.	201.4	131.1	152.0	102.4	100.4	1,653	73.1
Oct.	203.4	131.8	152.8	102.9	101.1	1,662	73.6
Nov.	207.3	131.6	153.2	103.4	101.6	1,682	75.4
Dec.	210.1	135.2	153.6	103.3	102.4	1,707	75.8
1988							
Jan.		136.3	154.6	103.3	102.9	1,752	74.9
Feb.						1,755	74.3

*Not seasonally adjusted
†Net changes in amounts outstanding, excluding bank loans.

UK COMPANY NEWS

Attwoods up 25% midway despite decline in dollar

BY PHILIP COGGAN

Attwoods, waste disposal and quarry products group in which Mr Michael Ashcroft's ADT has a 28 per cent stake, yesterday announced a 25 per cent jump in interim pre-tax profits to £5.73m, despite the impact of the dollar's decline.

The dollar/sterling exchange rate at the end of the group's reporting period was $1.72, a 17 per cent decline from the $1.47 rate used in the first half of last year. The translation effect knocked £700,000 off pre-tax profits.

But Mr Ken Foreman, chairman, said that exchange rates had no effect on the underlying strength of the group's business which did not conduct any cross-border trading.

Attwoods has built up, by acquisition, a substantial waste disposal business in Florida where it is now the second largest company in its sector. It hopes to complete the purchase of Eastern Waste Industries, a company which operates in Maryland, Delaware and Pennsylvania, in early April.

MedX, the infectious waste disposal company purchased by Attwoods in May last year, has surpassed the directors' expectations and has recently doubled its capacity.

However, Vesta, the mobile toxic incineration group in which Attwoods has a 40 per cent stake, will not make a positive contribution this year.

US profits rose from $5.65m to $7.65m (£4.16m) in the first half on turnover up from $34.4m to $48.4m.

The UK companies, which operate sand and gravel pits as well as "landfill" waste disposal sites, benefited from the mild winter and from recent acquisitions. Profits increased from £723,000 to £1.36m on turnover up from £10.23m to £12.35m.

Mr Foreman said that an economic slowdown, or even a recession, would have only a minor effect on the solid waste management industry. He predicted that 1988 would be another record year.

First half profits of £5.73m (£4.58m) were recorded on turnover of £40.49m (£33.65m). Earnings per share were 8.07p (7.5p) and the interim dividend is set at 2p (1.5p).

● comment

Plenty has been written about junk bonds and junk mail but people may forget how much money can be made from junk itself. Attwoods' profits suffered from the falling dollar this time and the shares were marked down 14p to 289p; but long term growth prospects for the company are still as good as ever. Organic growth was 16 per cent this time as Florida continued its relentless population, and therefore waste, explosion and as Attwoods' US operations get bigger, they benefit from genuine economies of scale. Now it is expanding geographically – to the Eastern seaboard – and industrially – into specialist waste disposal. If the dollar falls much further, Attwoods may have its work cut out meeting its proclaimed 20 per cent eps growth target; but a prospective rating of 14, assuming £15-16m for the full year, does not seem demanding set against the rating accorded its US competitors and the recently quoted UK company, Shanks & McEwan.

Miss World grows to £659,000

BY KATRINA LOWE

Miss World Group increased pre-tax profits by 9 per cent from £602,000 to £659,000 in 1987, on turnover up from £1.49m to £1.57m.

The most famous activities of this USM-quoted leisure group are the Miss World and Miss United Kingdom beauty competitions. An extraordinary item in the accounts of £124,000 is for the write-off of the balance of the cost of the investment in Miss World Clubs, the health clubs company which raised £520,000 under the Business Expansion Scheme in December 1985.

Mr Eric Morley, chairman of the group, said the 34 per cent stake in the clubs had been written off for the purpose of the accounts due to a further setback just as the Heathrow club was beginning to make profits.

A fire at the club in January had destroyed the steamroom, sauna and changing rooms. However, the insurance claim and a sale and leaseback agreement are expected to be finalised this week, he added, and the club should reopen in the first week of July.

In addition it was planned to sell the Hove club, and the proceeds would be used to eliminate debt and put the operation into a "plus cash-flow position."

Earnings per share increased to 19.58p (18.51p). It is planned to raise the final dividend to 6p, making 8p (6p) for the year.

Mr Morley said that in view of the clubs write-off and costs of a legal case in the US relating to the Mrs World competition he was highly satisfied with the latest results.

John Haggas improves to £1.82m

Strong demand for all but its acrylic knitwear yarns enabled John Haggas, west Yorkshire worsted spinner, to lift its pre-tax profits from £1.73m to £1.82m for the half year to end-December.

Sales for the period pushed ahead from £12.08m to £12.92m. Earnings amounted to 5.6p (5.9p) after tax of £600,000 (£550,000).

The interim dividend is a same-again 1p.

In the retail division sales were currently running some 15 to 20 per cent below those of the previous year. The division will not contribute to group profits for the full year and a thorough review is taking place.

Abbott Mead rises 27% as billings pass £97m mark

By Heather Farmbrough

Abbott Mead Vickers, the UK's 13th largest advertising agency, yesterday announced year-end results from gleaming new premises on the Old Marylebone Road in London.

Profits for the year to December 31 rose by 27.1 per cent to £4.04m, although billings increased by 40.7 per cent to £97.5m.

Gross margins for the group were down from 4.6 per cent to 4.2 per cent reflecting lower margins at Leagas Delaney, the advertising agency, which was acquired in 1986.

Leagas Delaney was incurring losses when AMV bought it, but contributed £260,000 in 1987.

Over 1987, Leagas won £4m in new billings while the AMV agency won accounts worth £20m. However, the main impact of new business gained last year is expected to come through in 1988.

This offset the losses of the £1m K-Shoes, £2m Daily Telegraph and £2m British Caledonian accounts – the latter resulting from the airline's merger with British Airways.

McBain Noel-Johnson, the design and sales promotion group, contributed about £190,000.

Mr Peter Mead argued that the group's clients – "mainly middle class, middle of the road" – such as Sainsbury, Volvo and BT, should render it relatively recession proof. Volvo, the largest client, accounts for just over 10 per cent of total business.

AMV is considering further acquisitions, with the US remaining a high priority, according to Mr David Abbott, chairman.

Refitting the group's new 37,000ft premises cost £1m, and is expected to reduce pre-tax profits by £500,000 this year, according to analysts. Earnings per share rose by 31.7 per cent to 19.75p (15.10p), coreadywhile the dividend was 4.5p (3.5p).

● comment

A wrap on the knuckles from the Advertising Standards Authority over AMV's posters for the Daily Telegraph's sports coverage has failed to do much damage to the agency's reputation as the Mister Clean of a dirty world. Still refusing to advertise tobacco, AMV has chosen to instal itself in new offices a long way from the pricey rents and glitter of London's West End. More significantly, AMV has also remained more or less aloof from the scramble for acquisitions elsewhere in the sector. The penalty for this is a short-term growth rate below some of the competition, but the company may reap the rewards over the long-term. This year promises to be a good one for the company, helped along by a projected rise in national advertising expenditure of about 9 per cent. Leagas Delaney is turning round in response to better management, while if AMV wins the Comet account, year end profits could reach £4.8m. This would value the shares on a prospective p/e of 10, which, at a slight premium to the sector, seems high enough.

Federated Housing up by £1.91m

Federated Housing, Surrey-based residential property developer, returned profits of £4.43m pre-tax for 1987, an improvement of £1.91m over the previous year's figures.

Earnings rose by 10.9p to 27.4p per 5p share and a final dividend of 3.3p raises the total by 1p to 5p.

Turnover pushed ahead from £20.06m to £27.9m and at the gross level profits improved by a little over £2m to £6.44m.

Pre-tax profits were struck after deducting administrative expenses of £1.6m (£1.35m) and interest charges of £844,000 (£707,000) and adding in other operating income of £110,000 (£40,000) and interest income of £330,000 (£117,000).

Nearly half of the £4m raised from the preference share issue in 1986 has been spent in land acquisition for a major urban renewal scheme with the balance committed for further land purchases between now and the end of the year.

Trevian purchase

Trevian Holdings has agreed to purchase Landseer House, in Leicester Square, London, for £6.75m, from a wholly-owned subsidiary of Randsworth Trust.

Landseer House comprises about 32,709 sq ft of mixed retail and office use at 19/21 Charing Cross Road and 28 Leicester Square and has rents receivable of £406,000 per annum.

Undertakings have been given to approve the transaction from Trevian shareholders who have more than 50 per cent of the share capital.

J Rothschild

J Rothschild Holdings has bought 250,000 of its ordinary shares for cancellation, at 157p, following which its issued ordinary share capital will be 287.32m.

Public Works Loan Board rates

Effective March 9

Years	Quota loans repaid by EIP†	Quota loans repaid At†	Quota loans repaid at maturity§	Non-quota loans A* repaid by EIP†	Non-quota loans A* repaid At†	Non-quota loans A* repaid at maturity§
1			9¾			9⅞
Over 1 up to 2	9⅛	9½	9	10⅛	10⅛	9¾
Over 2 up to 3	9⅛	9⅛	9⅛	10⅛	10	9⅞
Over 3 up to 4	9⅛	9⅛	9⅛	10⅛	10⅛	9⅞
Over 4 up to 5	9⅛	9⅛	9⅛	10⅛	10⅛	9⅞
Over 5 up to 6	9⅛	9⅛	9⅛	9⅞	9⅞	9⅞
Over 6 up to 7	9⅛	9⅛	9⅛	9⅞	9⅞	9¾
Over 7 up to 8	9⅛	9⅛	9⅞	9⅞	9⅞	9⅞
Over 8 up to 9	9⅛	9⅞	9⅞	9⅞	9⅞	9⅞
Over 9 up to 10	99⅞	9⅞	9⅞	9⅞	9⅞	9⅞
Over 10 up to 15	9¼	9⅞	9⅞	9⅞	9⅞	9⅞
Over 15 up to 25	9⅞	9⅞	9¼	9⅞	9⅞	9¾
Over 25	9¼	9¼	9¼	9⅞	9⅞	9⅞

*Non-quota loans B are 1 per cent higher in each case than non-quota loans A. †Equal instalments of principal. †† Repayment by half-yearly annuity (fixed equal half-yearly payments to include principal and interest). § With half-yearly payments of interest only.

COMMODITIES AND AGRICULTURE

US seeks higher minimum under Soviet grain pact

BY NANCY DUNNE IN WASHINGTON

IN THE US-Soviet long-term grain agreement talks, to begin tomorrow in Vienna, US negotiators will make strenuous efforts to both raise the minimum level the Soviets agree to buy and to increase the importance of soyabeans as a component of a pact.

The US farm lobby pressed hard for an early start to the talks. In Congress Senator Richard Lugar, the highest-ranking Republican on the Agriculture Committee, introduced a resolution asking President Ronald Reagan to seek higher minimum and maximum supply guarantees.

The Administration, with November's general elections in mind, has every reason to comply. In fact, Mr Clayton Yeutter, the US Trade Representative, acknowledged in an interview this week that the US would seek "as large a commitment as we possibly can."

The current LTA between the superpowers is due to expire on September 30. Under its terms the Soviets agreed to buy 4m tonnes of wheat, 4m tonnes of maize and 1m tonnes of either wheat, maize or soyabeans and soyabean meal each year for five years.

The American Soybean Association is urging US negotiators to push for a 2m tonne minimum purchase level for soyabeans and soyabean meal with no maximum established levels.

Mr John Baize, head of the association's Washington office, said the organisation saw a huge potential market in the Soviet Union as a result of Mr Mikhail Gorbachev's commitment to raise meat production.

He said the Soviets needed to know the US would be a reliable source of supply.

The Carter Administration, under its partial grains embargo against the Soviets in 1980, cancelled contracts for 1.1m tonnes of soyabeans and soyabean meal which were not covered by the LTA.

The Soviets in retaliation refused to buy US soyabean meal until they came back into the market for 1.3m tonnes earlier this year.

The association has close contacts with the Soviets. It has been running a feeding trial-programme in the Ukraine to prove US soyabeans can swiftly raise meat production.

Mr Baize said: "It takes 11 months to take a hog to slaughter in the Soviet Union. We can do it in five."

Other US farm bodies are pushing for increased minimums. The maize producers want maize byproducts included in the agreement for the first time.

The first LTA, signed in 1975, provided for 6m tonnes of grain a year. A 20 per cent growth over the current levels for the third pact seems logical.

Wine problem delays EC deal

BY TIM DICKSON IN BRUSSELS

EUROPE'S FARM Ministers last night ended three days of discussions in Brussels tantalisingly close to a comprehensive agreement on budget stabilisers. But sharp disagreements on the detailed proposals for controlling expenditure in the wine sector prevented the signing of a full formal accord.

The budget stabiliser package – which includes plans for paying farmers to set aside land and retire early – is seen as a crucial step along the road of Common Agricultural Policy reform. A large number of commodities supported by the CAP are involved, and, while the solutions vary according to each sector, the principal idea is to penalise over-production through automatic price cuts.

European Commission officials have consistently forecast that translating the outline deal at last month's "historic" summit into clear legal texts would involve complex, and sometimes heated, negotiations.

Several passages approved by heads of state had been left deliberately vague and others were open to differing interpretations. On top of this the Commission – egged on by Britain – was keen to avoid the sort of flexible solutions which would add an undue burden to the budget.

On the question of the oil seeds and protein stabilisers, they appear to have lost. At issue was whether the automatic price cuts should be applied the moment production exceeded the so-called maximum guaranteed quantities, or whether (as France, for example, insisted) the penalty would only apply once a full 1 per cent excess had been reached.

Some of the fiercest argument took place on the sheepmeat proposals, where the Community has set production thresholds of 44m ewes for the Community and 18m ewes for Britain. Spain, Ireland and the UK argued that these figures (based on 1987 estimates) should be revised in the light of the actual 1987 output figures, which will soon be available and which will be higher. There was also disagreement over the date when the regime would be introduced, but in the end the Council plumped for May 23.

The only insuperable problem was wine, where the Commission has been keen to emphasise the role of compulsory distillation. The new rules are among the most complex in the package and were only presented to member states earlier this month. Further discussion on this issue is likely to dominate the Agriculture Council starting on March 28 with agreement essential if the other proposals – all of which add up to a single package – are not to be disrupted.

It was unclear last night if the hiccup over wine will further delay publication of the Commission's price proposals for the 1988-89 marketing season, and which are expected for the second half of this month.

Judgment reserved on tin case appeals

BY RAYMOND HUGHES, LAW COURTS CORRESPONDENT

The Court of Appeal has reserved judgment on the first round of appeals in the litigation arising out of the collapse into insolvency of the International Tin Council in October, 1985.

Lord Justice Kerr, the presiding judge, intimated that the court's rulings were not likely to be given before late April or early May.

The expectation is that, whatever the outcome, the cases will then go to the House of Lords for final rulings by the Law Lords.

The appeal hearings, which began on January 19, covered all the High Court decisions so far made in the litigation started by creditors trying to get money from the ITC, which has debts totalling about £900m.

Two London Metal Exchange traders – J.H.Rayner (Mincing Lane), a £16m ITC creditor, and Maclaine Watson, owed £6m – challenged rulings that the ITC's members – the UK, 22 other states and the European Community – cannot be made liable for the Council's debts.

Maclaine Watson also appealed against the High Court's refusal to appoint a receiver of an alleged ITC asset, and Amalgamated Metal Trading, another London Metal Exchange broker, challenged the striking-out of its petition for the compulsory winding-up of the ITC.

The three appeal judges were asked to overturn rulings that the ITC must disclose the "nature, value and location" of its worldwide assets to Maclaine Watson, and to decide whether the European Community is immune from English court proceedings.

Cadmium continues price upsurge

By David Blackwell

CADMIUM PRICES touched record levels of more than $9 a lb on the free market yesterday, continuing the sharp rise sparked by a combination of strong demand from battery makers and disruptions in supplies.

The price reached what one trader called "totally uncharted territory" on February 16, when it went from $4.50 a lb to more than $7. It hit a new record of $8.50 a lb on Monday, mainly on the back of buying by manufacturers of nickel-cadmium rechargeable batteries.

The success of the batteries has completely changed the fortunes of the metal, which was only $1 a lb 18 months ago.

Dealers believe the price could now reach $12 a lb or more, as the continued strong demand has coincided with disruptions in production in Canada, Mexico and Italy.

In addition, some buyers have been let down by Chinese suppliers who made sales at much lower prices earlier this year. Western production of cadmium – a by-product of zinc mining – fell to 14,564 tonnes last year from 15,051 tonnes in 1986. The fall can be accounted for by the closure of zinc facilities which have become unprofitable.

Rift remains at cocoa talks

PRODUCERS AND consumers at the emergency talks of the International Cocoa Organisation (ICCO) in London remained far apart yesterday on the question of support pricing, writes David Blackwell.

Producing countries do not want to see the level of support prices cut from the current range of 1,485 to 2,155 Special Drawing Rights. Consumers maintain that under the rules the prices must be cut automatically by 115 SDRs – and they would like a bigger reduction. The ICCO 10-day average is currently near 1,270 SDRs.

The producers yesterday blocked discussion on adjustment to the support prices, and the news sent confusing signals to the market. The second position futures contract fell as far as £947 a tonne in the morning before recovering to close at £963 a tonne – a fall of £8 over Tuesday's close.

One consumer delegate described yesterday morning's talks as chaotic. But a producer delegatesaid that experience of past meetings showed that everything would be sorted out on the final day of the talks tomorrow.

Syria puts out welcome signals

BY MICHAEL FIELD

AT THE end of last year the new Syrian Minister of Petroleum, Dr Metanius Habib, wrote to all the industrialised countries' ambassadors in Damascus asking them to tell their oil companies at home they would be welcome in Syria.

He also asked them to supply to him lists of companies which might be willing to do exploration on a service-contract basis.

This implied that in granting licences the ministry was thinking of negotiating slightly more rigorous terms than apply under Syria's present Egyptian-style production-sharing deals.

The cause of the Syrian Government's confidence is Shell's string of discoveries in the Euphrates Valley since 1984. Before these discoveries it was thought Syria held only deposits of heavy crude in the far north-east; now Syria has been shown to have fields of highly-saleable light crude close to the Iraq-Mediterranean pipeline.

So far the response to Dr Habib's letters has been moderately encouraging. Kuwait Petroleum Corporation, Murphy Eastern and the Turkish state oil company have said they are sending people to talk to the ministry.

Among companies contacted directly BP is to send a team and Amoco has sent one delegation and is to send another.

At present, Syrian oil output is running at about 250,000 barrels a day. About 150,000 b/d of this is heavy sulphurous oil which has been developed since the mid-1970s by the state-owned Syrian Petroleum Corporation, aided by Soviet and East European contractors. The balance comes from Shell.

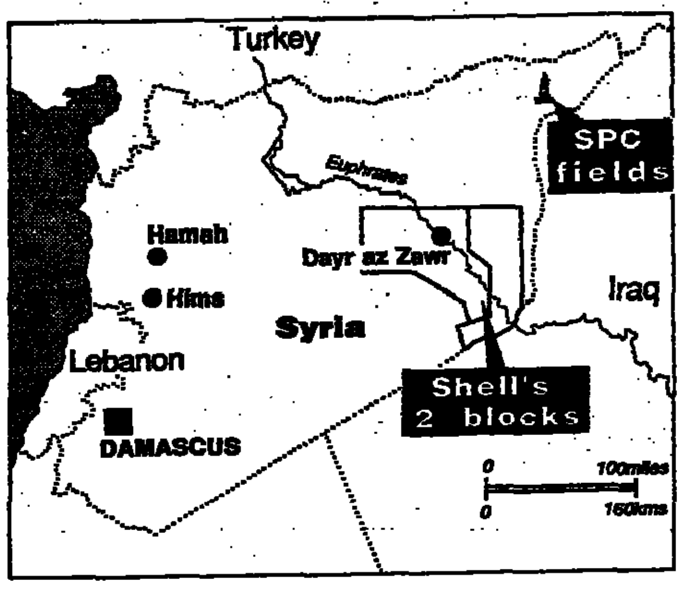
Shell's main licence area in the Euphrates Valley near Dayr-az-Zawr was bought from Coastal Oil of the US in 1982. The exploration joint-venture is owned by two Shell companies, with about two-thirds of the equity, and the German firm Deminex, Coastal's former partner.

Now oil has been discovered, the exploration companies have formed a development company, Al Furat Petroleum, in which the Syrian Government has a half share.

Al Furat's work is funded entirely by the foreign shareholders but the Government has an equal vote in its spending decisions.

The first Shell discovery, made in 1984, was the Thayyem field, now fully developed and producing 60,000 b/d of light crude. Four smaller fields came on stream last December and are producing 40,000 b/d.

A new field, Omar, discovered last year, is said to be bigger than any of the previous finds.



The Government hints it may produce 100,000 b/d or more next year.

Together the five producing Shell fields and the Syrian Petroleum Corporation's oil give Syria a small surplus of about $150m on its oil-trading account.

Omar is important in that it may increase this surplus to about $800m, giving Syria substantial spending revenues for first time since the late-1970s.

Shell's second licence area, the Sham block to the east of its Dayr-az-Zawr acreage, was taken in 1985. Only one well has been drilled and it showed oil in non-commercial quantities.

The exploration partners, the same as in the Dayr-az-Zawr block, are about to drill a second well.

Gas from the Shell fields is to be processed locally. The dry gas will be used to generate electric power and the small quantities of liquified petroleum gas will be bottled.

A contract for a processing plant is expected to be let in the next few weeks, probably to the Canadian company Propack.

The reason for Shell's success, after 30 years in which the Syrian state company and various foreign licensees found oil in only one part of the country, lies in the enormous recent improvements in seismic survey technology.

The earlier drilling was done in the north-east because that region was near some of the Iraqi fields and, like oil-rich areas elsewhere in the Middle East, had surface topography which suggested oil reservoirs.

In the Shell area there are no surface signs of oil and the geology is more difficult to interpret. The company has found oil because it has taken over the good seismic work done in the late-1970s by Coastal Oil, which left for financial rather than technical reasons, and has been able to process it in ways which were not possible at the time the north-eastern Syrian fields were being discovered in the 1950s and 1960s.

Three other foreign companies are hoping for the same success as Shell:

● Marathon, which took two blocks in the centre of the country in 1979, has made two gas and condensate discoveries and believes its area still has good potential for oil.

Its gas is to be supplied to power stations, either at Damascus or at Hamah, to replace fuel oil. The Government is asking bidders to present offers for pipelines to either city.

● Tricentrol took some acreage in the north-east of the country last April.

It is now finishing the reprocessing of seismic data shot by the Romanian state oil company in the 1970s. Its managers say they can see structures like those in the Shell areas to the south. The company will start its own seismic surveys this April. It expects to start drilling next January.

● Total took a large block to the north and west of Shell's acreage last July. It is now reprocessing old seismic data.

The most immediate prospect for a new licence is Occidental, which is about to sign for a large block of 10,000 sq kmin the south-west.

Talks with Petrofina for a block on Syria's southern border are stalled while the Belgian company considers the Government's rejection of its initial offer. It is thought in Damascus that the company may not put in a further bid.

For these and other companies the main risks in exploration are centred on Syria's fictitious official exchange rate of 11.25 Syrian pounds to the US dollar.

This inflates costs, even though the terrain on which the companies operate is hard and flat – ideal exploration country.

If a company discovers oil it can recover its costs at the same official rate as that applied to its import of capital. However, as an oil executive in Damascus put it recently: "On an abortive basis, exploration here is expensive."

Arctic Sea boost plan

BY OLLI VIRTANEN IN HELSINKI

SOVIET OIL production in the Arctic Sea areas is expected to reach 1m tonnes and gas production 4m to 5m cubic metres annually in the near future, according to a Soviet official. Mr Yevgeni Reshetnjak, head of the Soviet Arctic Oil Drilling and Research Institute, said in an interview with the Finnish news agency STT that oil production in the area would be profitable with the price of oil in the region of $20 to $25 per barrel. The lower price refers to reserves closest to Norway in the Barents Sea and production costs become higher towards the east. Production started, according to Mr Reshetnjak,on June 24 last year near the island of Kolguyev, halfway between the island of Novaya Zemlya and the Kola Peninsular. The first fully loaded tanker left the area one month later.

According to another Soviet official, Mr Vladimir Poshidayev, *the total Soviet oil resources in* the Arctic areas amount to 19bn tonnes of which 25 per cent is located in the so-called grey area currently under dispute between *Norway and the Soviet Union.*

Soviet officials have been urging Norway to co-operate in exploration, an invitation first extended by the Soviet Premier Nikolai Ryzhkov on a recent trip to Oslo. Without co-operation, Mr Reshetnjak claims, the Soviets will not commence oil drilling

Brazilian copper hit

BY JOHN BARHAM IN SAO PAULO

BRAZIL'S COPPER consuming companies have become the innocent victims of an infuriating bureaucratic dispute within the Brazilian Government.

Government-owned Caraiba *Metais*, the country's sole copper supplier, has suspended all its deliveries in an effort to force an increase in its prices, which are controlled by an inter-ministerial council.

The consuming companies are running out of raw materials and want to import copper until the dispute is settled. But the Government's foreign trade department will not issue import licences. It says imports are not justifiable because there are ample domestic supplies. Indeed, since it suspended deliveries three weeks ago, Caraiba's stock piles have risen to an estimated 30,000 tonnes.

The dispute has forced many consuming companies to reduce production. Soon they will have to suspend all output. Pirelli's cable division, for instance, will exhaust its stocks by the beginning of next week unless supplies return to normal.

The Government granted Caraiba a monopoly over copper mining and production to end Brazil's dependence on imports. Its management complains that current prices, equivalent to about $2,900 per tonne are too low. International prices are one third lower.

WORLD COMMODITIES PRICES

LONDON MARKETS

NICKEL failed to maintain the high prices recorded early in the day, when overnight interest combined with some Japanese buying took the metal to around $4.85 a lb - just below the LME record high of $4.87. Nevertheless, three-month metal closed at $10,675 a tonne, equivalent to $4.83 a lb and a rise of $325. The premium for cash metal, which narrowed by $75 a tonne on Tuesday, came down another $75 to $1,875 a tonne. The tightness of *nearby supplies and steady stainless* steel demand continue to underpin the market. Meanwhile, broker reports that the Soviet Union is again looking for vessels on timecharter helped to maintain *the current bull trend* in dry cargo futures at the Baltic International Freight Futures Market (Biffex). The second position July contract added 14 points to close at 1,482 after the Baltic Freight Index on which it is based hit a record 1,575 points. Coffee prices remained steady after the sharp falls of earlier this week.

SPOT MARKETS

Crude oil (per barrel FOB)		+ or -
Dubai	$12.60-2.70y	-0.16
Brent Blend	$13.95-4.05z	+0.10
W.T.I.(1 pm est)	$15.55-5.60y	+0.15
Oil products (NWE prompt delivery per tonne CIF)		+ or -
Premium Gasoline	$167-170	
Gas Oil (Soviet)	$128-129	+1.00
Heavy Fuel Oil	$63-65	
Naphtha	138-140	
Petroleum Argus Estimates		
Other		+ or -
Gold (per troy oz)♣	$436.75	-0.75
Silver (per troy oz)♣	631c	-6.00
Platinum (per troy oz)	$482.50	+3.00
Palladium (per troy oz)	$121.50	+1.50
Aluminium (free market)	$2365	+5
Copper (US Producer)	108⅝-10c	
Lead (US Producer)	35.50c	
Nickel (free market)	570c	
Tin (European free market)	£3735	-5
Tin (Kuala Lumpur market)	17.25r	-0.05
Tin (New York)	319.75c	+1.25
Zinc (Euro. Prod. Price)	$905	
Zinc (US Prime Western)	45.375c	
Cattle (live weight)†	109.02p	+0.83*
Sheep (dead weight)†	193.61p	+22.08*
Pigs (live weight)†	69.72p	+1.92*
London daily sugar (raw)	$219.00x	-5.80
London daily sugar (white)	$232.00x	-3.50
Tate and Lyle export price	£225.50	-5.00
Barley (English feed)	£108.00	-0.50
Maize (US No. 3 yellow)	£134.50	
Wheat (US Dark Northern)	£93.00s	-0.50
Rubber (spot)♥	61.25p	-0.75
Rubber (Apr) ♥	65.50p	-0.75
Rubber (May) ♥	65.50p	-0.75
Rubber (KL RSS No 1 Mar)	285.00my	-1.00
Coconut oil (Philippines)§	$550.00w	
Palm Oil (Malaysian)§	$382.50x	
Copra (Philippines)§	$370.00x	+10.00
Soyabeans (US)	£153.50	+1.00
Cotton "A" index	66.10c	-0.15
Wooltops (64s Super)	578p	

£ a tonne unless otherwise stated. p-pence/kg. c-cents/lb. r-ringgit/kg. w-Feb/Mar. z-Mar. u-Apr/Sep. x-Mar/Apr. y-Apr. t-Apr/Jun. s-Apr/May. †Meat Commission average fatstock prices. * change from a week ago. ♦London physical market. §CIF Rotterdam. ♣ Bullion market close. m-Malaysian/Singapore cents/kg.

COCOA £/tonne

	Close	Previous	High/Low	
Mar	942	950	945	926
May	963	971	973	947
Jly	982	991	991	966
Sep	1001	1008	1009	985
Dec	1027	1033	1037	1014
Mar	1054	1060	1060	1043
May	*1073*	*1082*	1082	1069

Turnover:4629 (5530) lots of 10 tonnes
ICCO indicator prices (SDRs per tonne). Daily price for March 8 : 1268.02 (1255.54) .10 day average for March 9 : 1268.90 (1273.83).

COFFEE £/tonne

	Close	Previous	High/Low	
Mar	1123	1120	1146	1124
May	1155	1151	1179	1154
Jly	1181	1178	1204	1180
Sep	1205	1204	1229	1203
Nov	1233	1225	1254	1235
Jan	1263	1260	1275	1266
Mar	1290	1270	1290	

Turnover: 4521 (6976) lots of 5 tonnes
ICO indicator prices (US cents per pound) for March 8: Comp. daily 1979 118.54 (117.74); 15 day average 121.11 (121.26).

SUGAR $ per tonne

Raw	Close	Previous	High/Low	
May	189.80	187.20	189.80	185.00
Aug	189.60	187.00	189.40	185.00
Oct	190.00	187.00	189.60	185.20
Dec	188.20	186.00		
Mar	189.60	187.00	189.20	185.60
May	192.20	189.00		
White	**Close**	**Previous**	**High/Low**	
May	231.00	230.00	230.50	228.00
Aug	232.50	231.00	229.00	
Oct	230.00	230.00		
Dec	233.00	230.00	228.00	227.00
Mar	233.00	231.00		
May	234.50	232.50		
Aug	237.00	234.00		

Turnover: Raw 2344 (2805) lots of 50 tonnes; White 765 (2350) .
Paris- White (FFr per tonne): May 1298, Aug 1308, Oct 1302, Dec 1307, Mar 1325, May 1335

GAS OIL $/tonne

	Close	Previous	High/Low	
Mar	125.50	125.00	128.75	123.50
Apr	124.50	123.25	124.75	123.75
May	123.75	122.50	124.25	123.25
Jun	124.75	123.75	125.25	124.50
Jul	125.00	123.50	126.75	125.00

Turnover: 4643 (4653) lots of 100 tonnes

GRAINS £/tonne

Wheat	Close	Previous	High/Low	
Mar	104.05	104.40	104.05	103.85
May	106.15	106.60	106.20	106.00
Jly	108.70	109.40	108.80	108.50
Sep	101.45	101.35	101.45	101.40
Nov	103.45	103.40	103.45	103.40
Jan	105.60	105.55	105.60	105.55
Mar	107.75	107.70	107.75	
Barley	**Close**	**Previous**	**High/Low**	
Mar	103.10	103.50	103.25	103.10
May	105.40	105.60	105.40	105.40
Sep	98.15	98.25	98.15	
Nov	100.65	100.75	100.65	
Jan	102.90	103.00	103.00	102.80
Mar	104.90	105.00	104.90	

Turnover: Wheat 133 (78) , Barley 21 (28) lots of 100 tonnes.

LONDON METAL EXCHANGE (Prices supplied by Amalgamated Metal Trading)

	Close	Previous	High/Low	AM Official	Kerb close	Open interest
Aluminium, 99.7% purity ($ per tonne)						Ring turnover 650 tonne
Cash	2340-60	2355-65	2360	2358-60		
3 months	2180-200	2190-210		2200-10	2210-30	3,716 lots
Aluminium,99.5% purity (£ per tonne)						Ring turnover 18,700 tonne
Cash	1267-70	1280.5-3.5	1282.5/1282	1282-2.5		
3 months	1177-8	1186.5-7.5	1192/1176	1190-1	1185-6	46,882 lots
Copper, Grade A (£ per tonne)						Ring turnover 37,050 tonne
Cash	1238-40	1263-6	1248/1247	1246-7		
3 months	1167-8	1188.5-9	1190/1165	1171-2	1186-7	68,679 lots
Copper, Standard (£ per tonne)						*Ring turnover 0 tonne*
Cash	1190-1210	1215-25		1195-1215		
3 months	1135-45	1160-70		1140-60		27 lots
Silver (US cents/fine ounce)						Ring turnover 50,000 ozs
Cash	627-9	632-5	626	626-8.5		
3 months	637-9	642-5		636-7	635-40	634 lots
Lead (£ per tonne)						Ring turnover 10,775 tonne
Cash	353-5	358-60		356-7		
3 months	331.5-2	336-8.5	337/332	334-4.5	331.5-2.5	10,784 lots
Nickel ($ per tonne)						Ring turnover 1,314 tonne
Cash	12500-600	12100-500	12500/12400	12100-300		
3 months	10650-700	10300-400	10800/10400	10350-400	10650-600	9,205 lots
Zinc (£ per tonne)						Ring turnover 9,125 tonne
Cash	508-9	507-8		509-9.5		
3 months	509-9.5	508-8.5	511.5/509	509.5-10	509-11	12,718 lots

POTATOES £/tonne

	Close	Previous	High/Low	
Mar	78.50	78.00		
Apr	141.00	139.00	141.30	137.50
May	149.40	147.50	150.00	147.00
Nov	91.00	90.80	92.00	
Feb	99.50	101.50	101.00	
Apr	138.80	137.50	139.00	137.50

Turnover: 897 (1145) lots of 100 tonnes.

SOYABEAN MEAL £/tonne

	Close	Previous	High/Low	
Apr	126.00	127.20		
Jun	121.50	123.00	122.50	
Aug	120.50	122.00	121.00	120.50
Oct	121.50	123.00	122.50	
Dec	126.00	127.50		

Turnover: 158 (130) lots of 100 tonnes.

FREIGHT FUTURES $10/index point

	Close	Previous	High/Low	
Apr	1615.0	1610.0	1635.0	1613.0
Jly	1482.0	1468.0	1495.0	1475.0
Oct	1508.0	1489.5	1520.0	1490.5
Jan	1500.0	1475.0	1510.0	1490.0
BFI	1575.0	1571.0		

Turnover: 683 (473)

WOOL
Wool prices in Australia are still getting steadily dearer, and the Australian Wool Corporation's market indicator at 1145 cents per kg compares with 1130 a week earlier, and 862 a year ago. Demand is worldwide and appears unaffected by the rising trend. *Although commercial stocks are higher, there* is no AWC stockpile to fall back on this year. The trade feels that further and possibly damaging price rises are therefore quite possible in the months ahead. UK business is at present quiet, which is keeping local prices *below the latest present replacement costs.* Sterling's sudden burst of strength has worrying implications for the important export-orientated trade.

LONDON BULLION MARKET

Gold (fine oz)	$ price	£ equivalent
Close	436½-437	236¼-236¾
Opening	435½-436	237¼-237¾
Morning fix	436.10	237.398
Afternoon fix	436.50	236.675
Day's high	437-437½	
Day's low	434¾-435¼	
Coins	**$ price**	**£ equivalent**
US Eagle	450-454	243-246
Mapleleaf	450-454	243-246
Britannia	450-454	243-246
Krugerrand	436-439	236-238
1/2 Krug	225-234	121¾-126¾
1/4 Krug	112-120	60½-65
Angel	447-452	242-244¾
1/10 Angel	45-50	24½-27
New Sov.	102¾-103¾	55½-55¼
Old Sov.	102¾-104¼	55½-56½
Noble Plat	496¾-504¾	271¼-274½

Silver fix	p/fine oz	US cts equiv
Spot	341.45	629.25
3 months	349.10	640.00
6 months	356.60	650.45
12 months	373.40	675.10

LONDON METAL EXCHANGE TRADED OPTIONS

Aluminium (99.7%)	Calls		Puts	
Strike price $ tonne	May	July	May	July
2000	283	220	40	113
2150	165	145	86	187
2300	110	95	164	261
Aluminium (99.5%)	**Calls**		**Puts**	
1950	319	225	37	100
2100	215	159	82	171
2250	135	103	151	261
Copper (Grade A)	**Calls**		**Puts**	
1950	339	296	97	112
2100	235	207	121	180
2250	163	145	196	265

US MARKETS

TRADING ACTION in the precious metals was not considered overwhelming, with only trade and local activity noted, reports Drexel Burnham Lambert. Copper had fund buying along with short covering which triggered off some stops. Energy futures were very featurless, with no technical or fundamental news. Coffee was very quiet, with light trade buying along with local short covering. Sugar rallied slightly on trade buying and local short covering. *Cocoa* had a very vigorous close, with long over due liquidation by commission house and trade. Cotton prices rose higher on commission house buying, but fund *selling throughout the day prevented* any further gains. Pork bellies fell sharply on better than expected movement figures, while cattle and hogs remained steady to slightly lower. Grains were very sharply lower due to bean complex report being bearish plus long liquidation.

New York

GOLD 100 troy oz.; $/troy oz.

	Close	Previous	High/Low	
Mar	436.2	435.3	436.5	436.5
Apr	437.5	436.5	438.8	436.8
Jun	441.8	441.0	443.3	441.2
Aug	446.3	445.4	448.7	445.5
Oct	450.9	450.0	451.1	450.0
Dec	455.5	454.6	456.5	453.4
Feb	460.3	459.3	461.9	460.5
Apr	465.4	464.2	466.0	464.0
Jun	470.6	469.3	471.8	470.3

PLATINUM 50 troy oz; $/troy oz.

	Close	Previous	High/Low	
Mar	480.3	474.7	480.0	480.0
Apr	480.3	481.8	484.9	479.0
Jul	484.3	486.6	488.0	482.5
Oct	488.8	490.1	493.0	489.5
Jan	494.3	496.6	498.0	498.0
Apr	499.8	501.1	0	0

SILVER 5,000 troy oz; cents/troy oz.

	Close	Previous	High/Low	
Mar	629.6	631.0	631.5	628.0
Apr	632.7	634.1	0	0
May	636.5	638.0	639.0	632.5
Jul	644.6	646.2	646.5	641.0
Sep	652.3	654.0	653.0	650.0
Dec	664.9	666.8	666.0	662.0
Jan	668.6	670.6	0	0
Mar	677.5	679.6	680.0	676.0
May	686.2	688.4	0	0
Jul	695.6	697.9	0	0

COPPER 25,000 lbs; cents/lbs

	Close	Previous	High/Low	
Mar	103.50	99.50	104.00	100.90
Apr	101.00	97.00	0	0
May	97.25	91.00	97.50	92.05
Jul	92.25	86.50	92.90	88.00
Sep	88.00	84.60	89.10	86.60
Dec	86.90	182.60	86.50	84.50
Jan	86.40	182.20	0	0
Mar	85.40	81.50	86.00	83.60
May	85.30	781.40	0	0
Jul	85.30	81.40	0	0

CRUDE OIL (Light) 42,000 US galls $/barrel

	Close	Previous	High/Low	
Apr	15.52	15.45	15.65	15.49
May	15.49	15.41	15.60	15.45
Jun	15.47	15.38	15.57	15.43
Jul	15.44	15.36	15.54	15.41
Aug	15.40	15.34	15.52	15.40
Sep	15.38	15.33	15.51	15.38
Oct	15.39	15.32	15.51	15.39
Nov	15.39	15.31	15.49	15.42
Dec	15.35	15.30	15.51	15.41
Jan	15.45	15.29	15.45	15.45

HEATING OIL 42,000 US galls, cents/US galls

	Close	Previous	High/Low	
Apr	43.25	43.49	43.95	43.15
May	41.90	41.97	42.45	41.80
Jun	41.15	41.11	41.65	41.15
Jul	41.15	40.97	41.55	41.15
Aug	41.85	41.42	42.20	41.80
Sep	42.50	42.07	42.80	42.50
Nov	44.10	43.42	44.10	44.10
Dec	44.90	44.12	44.90	44.75
Jan	45.30	44.52	45.30	45.30

COCOA 10 tonnes;$/tonnes

	Close	Previous	High/Low	
Mar	1556	1600	1586	1585
May	1595	1639	1636	1590
Jul	1634	1671	1665	1620
Sep	1666	1701	1690	1652
Dec	1696	1736	1736	1690
Mar	1724	1766	1762	1730
May	1751	1790	1752	1750
Jul	1776	1815	0	0

COFFEE "C" 37,500lbs; cents/lbs

	Close	Previous	High/Low	
Mar	134.38	134.00	134.70	134.50
May	135.39	136.75	136.90	135.10
Jul	137.38	138.60	138.80	137.25
Sep	139.11	139.59	140.40	139.00
Dec	141.00	143.08	142.90	141.00
Mar	142.38	143.53	143.50	142.20
May	142.25	143.25	0	0
Jul	143.25	143.25	0	0

SUGAR WORLD "11" 112,000 lbs; cents/lbs

	Close	Previous	High/Low	
May	8.43	8.40	8.44	8.25
Jul	8.41	8.31	8.41	8.22
Oct	8.45	8.32	8.46	8.23
Jan	8.40	8.29	0	0
Mar	8.51	8.37	8.51	8.29
May	8.57	8.49	8.57	8.41

COTTON 50,000; cents/lbs

	Close	Previous	High/Low	
Mar	60.38	60.90	61.00	60.23
May	61.13	61.27	62.10	60.71
Jul	60.30	60.48	61.25	59.65
Oct	57.50	58.25	58.35	57.50
Dec	56.26	55.91	57.15	56.20
Mar	57.90	57.80	57.80	57.36

ORANGE JUICE 15,000 lbs; cents/lbs

	Close	Previous	High/Low	
Mar	165.05	165.85	166.70	164.80
May	157.90	158.25	158.90	157.20
Jul	154.85	156.20	156.30	154.50
Sep	153.00	153.75	154.40	152.70
Nov	151.10	152.25	152.30	151.50
Jan	149.15	150.25	150.00	149.00
Mar	149.65	150.75	150.00	150.00
May	149.65	150.75	0	0
Jul	149.65	150.75	0	0

INDICES

REUTERS (Base: September 18 1931 = 100)

Mar 8	Mar 7	mnth ago	yr ago
1732.8	1741.2	1736.2	1535.4

DOW JONES (Base: December 31 1974 = 100)

Spot	128.08	128.05	129.58	118.88
Futures	131.08	131.31	132.86	113.14

Chicago

SOYABEANS 5,000 bu min; cents/60lb bushel

	Close	Previous	High/Low	
Mar	608/2	617/0	617/4	606/0
May	613/2	623/6	626/0	612/4
Jul	620/6	632/6	633/4	620/0
Aug	622/4	633/2	635/0	622/4
Sep	624/4	636/4	637/0	624/0
Nov	634/4	645/4	646/6	634/0
Jan	641/4	652/4	651/4	641/4
Mar	649/4	660/0	657/0	649/4
May	654/4	666/0	662/0	654/4

SOYABEAN OIL 60,000 lbs; cents/lb

	Close	Previous	High/Low	
Mar	19.89	20.23	20.22	19.86
May	20.16	20.54	20.56	20.15
Jul	20.50	20.87	20.89	20.50
Aug	20.63	20.95	21.00	20.63
Sep	20.65	21.01	21.10	20.65
Oct	20.81	21.17	21.30	20.81
Dec	20.97	21.40	21.50	20.97
Jan	20.98	21.41	21.40	20.98
Mar	21.07	21.52	21.05	21.10

SOYABEAN MEAL 100 tons; $/ton

	Close	Previous	High/Low	
Mar	184.9	187.4	187.5	184.8
May	183.1	185.0	185.3	183.0
Jul	182.8	184.7	185.0	182.6
Aug	183.8	186.2	185.5	183.8
Sep	184.1	186.0	186.0	184.0
Oct	184.9	186.5	187.0	184.8
Dec	187.8	189.2	189.5	187.5
Jan	189.2	190.0	190.5	189.0
Mar	192.0	192.5	191.5	192.5

MAIZE 5,000 bu min; cents/56lb bushel

	Close	Previous	High/Low	
Mar	198/6	201/4	201/4	198/4
May	206/0	207/6	208/0	205/6
Jul	209/6	211/0	211/2	209/4
Sep	211/6	212/2	212/6	211/2
Dec	215/6	216/4	217/2	215/4
Mar	222/6	223/4	224/0	222/6
May	226/4	227/2	228/2	226/4

WHEAT 5,000 bu min; cents/60lb-bushel

	Close	Previous	High/Low	
Mar	294/6	299/6	301/0	294/4
May	304/0	308/6	310/4	303/2
Jul	310/4	313/6	316/0	310/2
Sep	316/2	319/2	321/4	315/2
Dec	327/0	330/0	331/0	327/0
Mar	334/0	336/0	334/4	334/0

LIVE CATTLE 40,000 lbs; cents/lbs

	Close	Previous	High/Low	
Apr	72.92	72.92	73.50	72.70
Jun	69.75	70.00	70.27	69.55
Aug	67.05	67.42	67.50	66.85
Oct	65.75	65.77	66.02	65.55
Dec	66.60	66.66	66.97	66.50
Feb	66.60	66.50	66.85	66.60

LIVE HOGS 30,000 lb; cents/lbs

	Close	Previous	High/Low	
Apr	43.60	43.72	44.10	43.35
Jun	47.87	48.22	48.30	47.65
Jul	47.52	47.95	47.95	47.45
Aug	45.60	46.42	46.50	45.65
Oct	42.05	42.30	42.35	42.05
Dec	42.53	42.65	42.80	42.35
Feb	43.00	43.10	0	43.00

PORK BELLIES 38,000 lbs; cents/lb

	Close	Previous	High/Low	
Mar	52.20	53.95	53.90	52.10
May	53.42	55.22	55.10	53.32
Jul	54.42	55.90	55.60	54.35
Aug	53.30	54.65	54.75	53.27
Feb	56.90	57.25	56.90	56.10
Mar	56.00	56.77	56.00	0

CURRENCIES, MONEY AND CAPITAL MARKETS

FOREIGN EXCHANGES

Pound resumes its advance

STERLING RECOVERED from a bout of profit taking to finish around its highest levels of the day in London.

Dealers in Tokyo took profits after the pound's rise on Tuesday. This trend continued in early European trading, but underlying sentiment remains strong at present.

The Government has made it clear that interest rates will not be cut in the near future, and the Bank of England will not be involved in largescale selling of sterling.

Interest rate differentials are therefore expected to lift the currency in the immediate future. At the moment the market is ignoring fundamental economic factors, such as strong growth and a probable deterioration of the UK balance of payments later in the year.

Foreign investors appear impressed by the Government's determination not to allow high wage settlements in British industry to be offset by a depreciation of the currency.

Mr James Baker, US Treasury Secretary, gave the pound a further boost, when he said sterling's rise does not violate the Group of Seven agreement pledging currency stability.

The pound rose to DM3.0635 from DM3.0725. It also gained ½ cent to $1.8470-1.8480, and climbed to Y236.50 from Y236.00; to SFr2.5475 from SFr2.5375; and to FFr10.4375 from FFr10.41.

On Bank of England figures, sterling's index rose to 77.2 from 77.0.

The dollar traded steadily, showing no reaction to the result of the Super Tuesday primary elections in the US. Dealers took mild comfort from the poor showing of a Democrat candidate for the White House, Mr Richard Gephardt, who is regarded as a leading advocate of the protectionist trade lobby.

With sterling still at the centre of attention, the dollar awaits publication of the January US trade figures next week. The dollar closed unchanged at DM1.6690 and at FFr5.65. It eased to Y128.00 from Y128.05, and improved to SFr1.3790 from SFr1.3770. The Bank of England's calculation of the dollar's index was unchanged at 93.5.

D-MARK — Trading range against the dollar in 1987/88 is 1.9305 to 1.5740. February average 1.6866. Exchange rate index 149.7 against 147.2 six months ago.

Sterling continued to command attention, with dealers looking for the currency to attack DM3.10 before next week's Budget. The pound met some technical resistance near the Frankfurt close, but still finished at DM3.0780, near the highest level of the day. Sterling was fixed at DM3.0750, against DM3.0650 previously. The dollar was little changed in dull Frankfurt trading. It was fixed at DM1.6692, compared with DM1.6724 on Tuesday, without intervention by the West German Bundesbank.

JAPANESE YEN — Trading range against the dollar in 1987/88 is 159.45 to 121.35. February average 129.17. Exchange rate index 239.3, against 223.9 six months ago.

The yen traded steadily in Tokyo as upward pressure on sterling eased, and the dollar failed to gain any direction from the result of the Super Tuesday primary elections.

Far East traders took profits in sterling, but said they expected the pound to resume its advance. The market was waiting for publication of the US trade figures next week and the Japanese trade figures today to provide more guidance on the dollar's value against the yen. The US currency closed at Y128.10 in Tokyo, compared with Y127.80 on Tuesday.

A Japanese trade surplus of $5.7bn in February has been widely forecast, down from $7.1bn in the same month last year, but up from $5.1bn in January.

£ IN NEW YORK

Mar 9	Latest	Previous Close
£ Spot	[illegible]	[illegible]
1 month	[illegible]	[illegible]
3 months	[illegible]	[illegible]
12 months	[illegible]	[illegible]

Forward premiums and discounts apply to the US dollar

STERLING INDEX

	Mar 9	Previous
[illegible]	[illegible]	[illegible]

CURRENCY RATES

Mar 9	Bank rate %	Special Drawing Rights	European Currency Unit
[illegible]	[illegible]	[illegible]	[illegible]

CURRENCY MOVEMENTS

Mar 9	Bank of England Index	Morgan Guaranty Changes %
[illegible]	[illegible]	[illegible]

OTHER CURRENCIES

Mar 9	£	$
[illegible]	[illegible]	[illegible]

EMS EUROPEAN CURRENCY UNIT RATES

	Ecu central rates	Currency amounts against Ecu Mar 9	% change from central rate	% change adjusted for divergence	Divergence limit %
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

POUND SPOT - FORWARD AGAINST THE POUND

Mar 9	Day's spread	Close	One month	% p.a.	Three months	% p.a.
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

DOLLAR SPOT - FORWARD AGAINST THE DOLLAR

Mar 9	Day's spread	Close	One month	% p.a.	Three months	% p.a.
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

EURO-CURRENCY INTEREST RATES

Mar 9	Short term	7 Days notice	One Month	Three Months	Six Months	One Year
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

EXCHANGE CROSS RATES

Mar 9	£	$	DM	Yen	F Fr.	S Fr.	H Fl.	Lira	C $	B Fr.
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

FINANCIAL FUTURES

Gilts well supported

THE GOVERNMENT has revealed half a monetary policy, according to Mr Nick Parsons, economist at Union Discount. He believes that although interest rates have been pushed up fiscal policy is relatively loose, and that allowing sterling to rise cannot be the end of the story. So far nothing has been done to hold back consumer spending, and according to Mr Parsons, the Chancellor may reform the fiscal side of the economy.

Mr Parsons said that something must be said about monetary policy in the Budget.

At the moment he suggests the long-term gilt futures contract is likely to remain firm, because of the strength of the pound. Even a sudden retreat by sterling may not do harm, because the long end of the market is unlikely to be worried by the prospect of higher interest rates. This could take June long term gilts up to around 123-24. The contract opened at 122-07 yesterday, but then moved up steadily to a morning high of 122-28 as sterling renewed its advance on the foreign exchanges. It touched a peak of 122-30, before closing at 122-21, compared with 122-09.

Three-month sterling deposit futures rose above resistance at 90.87 for June delivery, to close at 90.91, against 90.86 previously. Dealers suggested the contract could move up until strong resistance is found at 90.98.

LIFFE LONG GILT FUTURES OPTIONS

Strike Price	Calls-settlements		Puts-settlements	
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

LIFFE US TREASURY BOND FUTURES OPTIONS

Strike Price	Calls-settlements		Puts-settlements	
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

LIFFE FT-SE INDEX FUTURES OPTIONS

Strike Price	Calls-settlements		Puts-settlements	
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

LIFFE £/$ OPTIONS

Strike Price	Calls-settlements		Puts-settlements	
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

LIFFE EURODOLLAR OPTIONS

Strike Price	Calls-settlements		Puts-settlements	
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

LIFFE SHORT STERLING

Strike Price	Calls-settlements		Puts-settlements	
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

PHILADELPHIA SE £/$ OPTIONS

Strike Price	Calls				Puts			
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

LONDON SE £/$ OPTIONS

Strike Price	Calls-settlements			Puts-settlements		
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

LONDON (LIFFE)

	Close	High	Low	Prev.
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

CHICAGO

	Latest	High	Low	Prev.
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

CURRENCY FUTURES

	Close	High	Low	Prev.
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Clubs

Company Notices

BANQUE NATIONALE DE PARIS

Floating rate note issue of USD 400 million september 1983/91 The rate of interest applicable for the period beginning 4th march 1988 and set by the reference Agent is 7⅛% annually.

NOTICE TO WARRANTHOLDERS OF

THE CHIYODA FIRE MARINE INSURANCE COMPANY, LIMITED

USDLRS 70,000,000 2 PER CENT. BONDS DUE 1992 WITH WARRANTS

Pursuant to Clauses 3 and 4 of the captioned warrants, notice is hereby given as follows:

(1) The Board of Directors of the Chiyoda Fire and Marine Insurance Company, Limited (the "Company") at its meeting held on 8th March, 1988 resolved that the Company will make a free distribution of shares of its common stock on 20th may, 1988, Tokyo time, to the shareholders of the Company Registered on its Register of shareholders as of 31st March, 1988, Tokyo (the "Record Date"), at the ratio of 0.05 new share for each one share owned by such shareholders.

(2) As a result of such free distribution, the subscription price in respect of the captioned warrants, which is currently 882 Yen per share, will be reduced to 840 Yen per share of the company's common stock in accordance with clause 3, paragraph (1) of the instrument. The new subscription price will become effective on 1st April, 1988, Tokyo time, which is the day immediately after the record date.

The Chiyoda Fire and Marine Insurance Company Limited
By The Long-Term Credit Bank of Japan, Limited
London Branch
Principal Paying Agent and Warrant Agent

10th March, 1988

MONEY MARKETS

London rates ease

INTEREST RATES eased on the London money market yesterday, but dealers were very uncertain about the future direction of rates, following sterling's sharp rise this week, and Tuesday's comments by the Prime Minister, warning about the dangers of inflation.

A dealer at one of London's leading discount houses said there are sections of the market looking for lower rates because of the pound's rise, but others believe the problems of inflation are too deep seated to allow rates to fall.

Three-month interbank fell to 8⅞-8¾ p.c. from 9⅛-8⅞ p.c., and there was a slight flattening of the yield curve, on selected buying of long dated paper.

UK clearing bank base lending rate 9 per cent from February 2

Dealers expect day-to-day credit conditions to remain comfortable in London for the rest of this week, and probably until early April. The Bank of England initially forecast a flat credit position on the London money market, but revised this to a surplus of £150m at noon.

The authorities did not operate in the market before lunch, but in the afternoon sold £151m Treasury bills, due tomorrow at 7⅞-7⅞ p.c.

Bills maturing in official hands, repayment of late assistance and a take-up of Treasury bills drained £299m, with a rise in the note circulation absorbing £120m. These were roughly balanced by Exchequer transactions adding £375m to liquidity, and bank balances above target of £40m.

The Bank of England announced that the average rate applicable to temporary facilities was 8⅞ for one week. This is money rolled over from the initial offer on January 13, to offset seasonal tightness in the money market.

In Frankfurt call money eased to 3.30 p.c. from 3.35 p.c. after the Bundesbank proved reasonably generous in its allocation of funds at this week's securities repurchase agreement tender.

The central bank accepted bids of DM14.5bn, more than replacing the DM12.9bn draining from the money market, as an earlier agreement expired. The extra liquidity will be needed to help banks through a tight period caused by large tax payments.

This is expected to begin drawing funds out of the market next week, and banks will try to build up reserves in the next few days.

FT LONDON INTERBANK FIXING

11.00 a.m. Mar 9	3 months US dollars		6 months US Dollars	
	bid	offer	bid	offer
	[illegible]	[illegible]	[illegible]	[illegible]

MONEY RATES

NEW YORK

	Treasury Bills and Bonds
[illegible]	[illegible]

Mar 9	Overnight	One Month	Two Months	Three Months	Six Months	Lombard Intervention
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

LONDON MONEY RATES

Mar 9	Overnight	7 days notice	One Month	Three Months	Six Months	One Year
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

EUROPEAN OPTIONS EXCHANGE

Series		May 88 Vol	May 88 Last	Aug. 88 Vol	Aug. 88 Last	Nov. 88 Vol	Nov. 88 Last	Stock
GOLD C	$440	-	-	-	-	30	33.70	$437.20
GOLD C	$460	11	6.50	11	16	-	-	$437.20
GOLD P	$420	28	5	4	9.50	36	12.50	$437.20
GOLD P	$440	45	14.50	2	18	-	-	$437.20
		Mch. 88		Jun. 88		Sep. 88		
SILVER P	$650	60	25	-	-	-	-	$631
		Mch. 88		Apr. 88		May 88		
EOE Index C	Fl. 170	10	35.50 A	3	34.50	-	-	Fl. 205.01
EOE Index C	Fl. 180	27	25	-	-	-	-	Fl. 205.01
EOE Index C	Fl. 185	42	20	10	22 A	61	21	Fl. 205.01
EOE Index C	Fl. 190	67	16	-	-	1	18 A	Fl. 205.01
EOE Index C	Fl. 195	40	10.50	62	13.20	22	14.90	Fl. 205.01
EOE Index C	Fl. 200	124	7	135	10.80	10	12	Fl. 205.01
EOE Index C	Fl. 205	174	3.80	109	7.50	16	9.50	Fl. 205.01
EOE Index P	Fl. 180	-	-	18	1.30	-	-	Fl. 205.01
EOE Index P	Fl. 185	7	0.30	64	2	35	3.50	Fl. 205.01
EOE Index P	Fl. 190	208	0.60	20	2.90	11	5.20	Fl. 205.01
EOE Index P	Fl. 195	297	1	308	4.70	4	7	Fl. 205.01
EOE Index P	Fl. 200	136	2.50	317	6.20	1	10	Fl. 205.01
EOE Index P	Fl. 205	330	4	315	8.60	72	12	Fl. 205.01
£/Fl C	Fl. 345	-	-	87	2.40	3	3.30	Fl. 345.84
$/Fl C	Fl. 190	57	0.50	13	1.80	-	-	Fl. 187.45
$/Fl P	Fl. 185	24	0.60	102	1.90	-	-	Fl. 187.45
$/Fl P	Fl. 190	37	3.10	7	4.40 B	-	-	Fl. 187.45
$/Fl P	Fl. 195	19	7.30	-	-	-	-	Fl. 187.45
$/Fl P	Fl. 210	10	23	-	-	-	-	Fl. 187.45
		Apr. 88		Jul. 88		Oct. 88		
ABN C	Fl. 40	1921	2	448	2.80	79	3.30	Fl. 41.30
ABN P	Fl. 40	66	0.80	122	2.50	12	3.50	Fl. 41.30
AEGON C	Fl. 70	103	4.40	71	5.70	13	6	Fl. 73
AEGON P	Fl. 50	-	-	55	0.50	-	-	Fl. 73
AHOLD C	Fl. 80	18	1.20	31	2.90	-	-	Fl. 75.90
AHOLD P	Fl. 60	-	-	100	0.70	-	-	Fl. 75.90
AKZO C	Fl. 110	464	2.70	256	4.90	135	7.30	Fl. 104.50
AKZO P	Fl. 90	117	0.50	22	3.50	6	5.50	Fl. 104.50
AMEV C	Fl. 55	363	2.20	327	3.10	60	3.60	Fl. 53.30
AMEV P	Fl. 50	26	1.20	76	3.20	10	3.70	Fl. 53.30
AMRO C	Fl. 70	47	0.90	184	1.70	111	2.80	Fl. 66.50
AMRO P	Fl. 65	30	1	67	3.70	-	-	Fl. 66.50
ELSEVIER C	Fl. 50	352	1.90	289	3.40	15	4.80 A	Fl. 50.40
ELSEVIER P	Fl. 45	43	0.90	88	2	-	-	Fl. 50.40
GIST-BROC. C	Fl. 30	351	2.50	174	3.70	45	4.40	Fl. 31.40
GIST-BROC. P	Fl. 30	211	1	35	2.60	24	3.50	Fl. 31.40
HEINEKEN C	Fl. 130	146	4.50	163	7.70	2	10.50	Fl. 128.50
HEINEKEN P	Fl. 140	120	11.70	-	-	-	-	Fl. 128.50
HOOGOVENS C	Fl. 30	543	5 B	55	5.80	7	7	Fl. 34.70
HOOGOVENS P	Fl. 30	15	0.90	38	1.60	40	2.60	Fl. 34.70
KLM C	Fl. 35	594	1.60	244	3	245	3.50	Fl. 34.80
KLM P	Fl. 35	194	1.60	7	2.50	79	4	Fl. 34.80
NEDLLOYD C	Fl. 200	39	8	52	16	-	-	Fl. 198.80
NEDLLOYD P	Fl. 150	42	1.10	2	3.50	62	7	Fl. 198.80
NAT.NED. C	Fl. 60	557	2 A	236	3.20	139	4	Fl. 59.50
NAT.NED. P	Fl. 55	18	0.90	37	2.20	-	-	Fl. 59.50
PHILIPS C	Fl. 30	584	0.80	776	1.50	81	2.30	Fl. 29
PHILIPS P	Fl. 30	57	2.90	19	3.20	61	4	Fl. 29
ROYAL DUTCH C	Fl. 210	277	9.20	481	11	-	-	Fl. 216.70
ROYAL DUTCH P	Fl. 220	222	6.50	9	16 B	-	-	Fl. 216.70
ROBECO C	Fl. 100	-	-	23	1	-	-	Fl. 91.30
ROBECO P	Fl. 90	10	1.40	-	-	-	-	Fl. 91.30
UNILEVER C	Fl. 120	887	2.30	163	5	57	7	Fl. 116.40
UNILEVER P	Fl. 110	33	2.20	133	5.40	-	-	Fl. 116.40

TOTAL VOLUME IN CONTRACTS : 36,673

A=Ask B=Bid C=Call P=Put

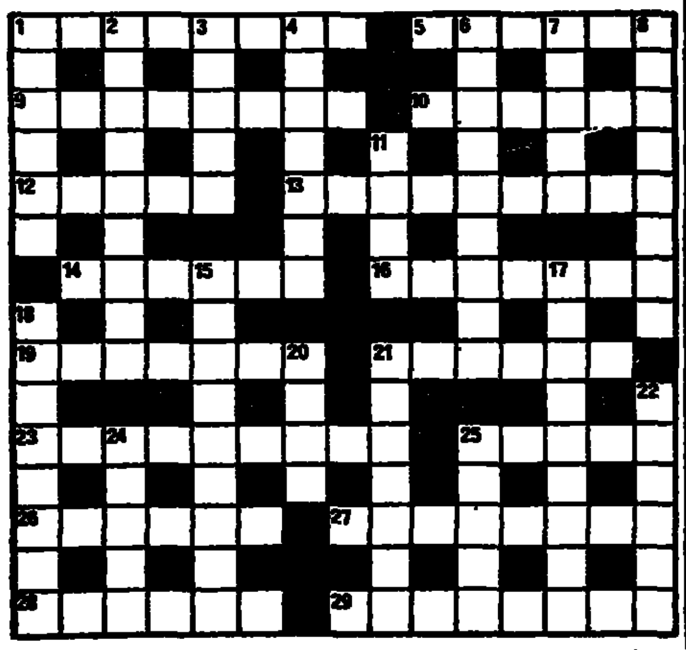
BASE LENDING RATES

	%
ABN Bank	9
Adam & Company	9
AAB - Allied Arab Bk	9
Allied Irish Bank	9
American Exp. Bk	9
Henry Ansbacher	9
ANZ Banking Group	9
Associates Cap Corp	10
Authority Bank	9
B & C Merchant Bank	9
Banco de Bilbao	9
Bank Hapoalim	9
Bank Leumi (UK)	9
Bank Credit & Comm	9
Bank of Cyprus	9
Bank of Ireland	9
Bank of India	9
Bank of Scotland	9
Banque Belge Ltd	9
Barclays Bank	9
Benchmark Bank PLC	9
Berliner Bank AG	9
Brit Bk of Mid East	9
● Brown Shipley	9
Business Mtge Tst	9
CL Bank Nederland	9
Central Capital	9
● Charterhouse Bank	9
Citibank NA	9
City Merchants Bank	9
Clydesdale Bank	9
Comm. Bk. N. East	9
Consolidated Cred	9
Co-operative Bank	*9
Cyprus Popular Bk	9
Dunbar Bank PLC	9
Duncan Lawrie	9
Equatorial Bank plc	9
Exeter Trust Ltd	9½
Financial & Gen. Sec	9
First Nat. Sec. Ltd.	9½
● Robert Fleming & Co.	9
Robert Fraser & Ptrs.	10
Girobank	9
Grindlays Bank	9
● Guinness Mahon	9
HFC Trust & Savings	9
● Hambros Bank	9
Heritable & Gen Inv Bk	9
● Hill Samuel	§9
C. Hoare & Co.	9
Hongkong & Shangh	9
Lloyds Bank	9
Meghraj Bank Ltd	9
Midland Bank	9
● Morgan Grenfell	9
Mount Bnkg Corp.	9
Nat. Bk. of Kuwait	9
NatWestminster	9
Northern Bank Ltd	9
Norwich Gen. Trust	9
PK Finans. Intl (UK)	9½
Provincial Bank PLC	10
R. Raphael & Sons	9
Roxburghe G'rantee	10
Royal Bk of Scotland	9
Royal Trust Bank	9
Smith & Williams Secs.	9
Standard Chartered	9
TSB	9
UDT Mortgage Exp	&10.2
United Bk of Kuwait	9
United Mizrahi Bank	9
Unity Trust Bank Plc	9
Western Trust	9
Westpac Bank Corp.	9
Whiteaway Laidlaw	9½
Yorkshire Bank	9

● Members of the Accepting Houses Committee. * 7 day deposits 4.00% Sarewise 6.66%. Top Tier-£2,500+ at 3 months' notice 8.31%. At call when £10,000+ remains deposited. & Mortgage base rate. § Demand deposit 4.00%. Mortgage 9.625% - 10%

FT CROSSWORD No.6,577

SET BY DANTE



ACROSS

1 Withdrawing, again losing interest (8)
5 Steps inside? (6)
9 Row not unexpected in N. Irish parliament (8)
10 Be run out to one Far Eastern country (6)
12 She appears in an ensemble that's rather colourless (5)
13 Never never use simple language (4,5)
14 In icy conditions victory needs effort (6)
16 Stop and go after amber changes (7)
19 Returns from business (7)
21 With it, the essay is without purpose (6)
23 Without a bit of control, presumably (9)
25 Rock singer in a trouser suit (5)
26 Vegetables on the course (6)
27 18th century composition for an Easter service (8)
28 Set out before tea-break to view the property (6)
29 Emphasises the potential of an oriental artiste (8)

DOWN

1 Clara's upset by a scoundrel (6)
2 A cleaner at work among the chatterers (9)
3 Right country for Latin? (5)
4 Community centre for retired ladies (7)
6 It holds the record for playing around (9)
7 Victor loses his head in the bull ring (5)
8 A record? Yes of course (5,3)
11 I stole away to an isolated spot (4)
15 It divides the court (6-3)
17 Robin's left-wing; Bert's a revolutionary (9)
18 Gee-gee in a poor result still shows effort (8)
20 Sediment of port perhaps (4)
21 I'd set it out in the neatest form (7)
22 Records on non-U plants (6)
24 Bert's getting out the port (5)
25 Ox and cox (5)

Solution to Puzzle No.6,576

U	N	D	E	R	T	A	K	I	N	G		D	O	N
R		U		U		B		M		A		R		O
B	O	S	O	M		I	N	P	A	T	I	E	N	T
A		T		B		L		R		E		D		A
N	E	C	T	A	R	I	N	E		C	I	G	A	R
E		A				T		S		R		E		Y
L	A	R	C	E	N	Y		S	W	A	Y			
Y		T		A						S		O		S
			A	V	O	W		I	N	H	A	B	I	T
S		L		E		I		N				L		A
W	A	I	T	S		R	E	D	U	C	T	I	O	N
I		N		D		E		U		E		G		D
T	H	E	O	R	E	T	I	C		A	M	I	G	O
C		U		O		A		E		S		N		U
H	O	P		P	A	P	E	R	W	E	I	G	H	T

FT UNIT TRUST INFORMATION SERVICE

AUTHORISED UNIT TRUSTS

FT UNIT TRUST INFORMATION SERVICE

Scimitar Asset Management Ltd
8 Crosby Sq, London EC3A 6AQ 01-588 6493/4/5

Scimitar Global Gth Ac	28.2	30.1	-0.3	—
Do. Income	28.0	29.9	-0.3	0.19
Scimitar European Acc	20.9	22.3	-0.2	—
Do Income	20.9	22.3	-0.1	0.11
Scimitar UK Eq Inc Acc	36.3	38.3	—	—
Do. Income	34.0	35.8	—	5.36
UK Cap Gth Acc	24.7	26.2	-0.1	0.75
Scimitar Pac Basin Acc	29.7	31.7	-0.3	—
Scimitar Mngd Exempt	141.6	147.5	—	—

Scottish Equitable Fund Mgrs. Ltd(z)
28 St Andrews Sq, Edinburgh 031-556 1051

Intnl Income Units	128.8	137.0	—	3.32
Intnl Accum Units	197.4	210.0	—	3.32
UK General Acc	38.6	41.3	—	3.38
UK General Inc	37.2	39.8	—	3.38
American	27.8	29.7	+0.2	2.19
European	34.6	37.0	+0.1	1.26
Japan	56.1	60.0	—	0.03
Technology	35.6	38.1	+0.1	2.29
Performance Trusts				
Far East Perf Tst	18.3	19.6	+0.3	2.00
High Inc Perf Tst Inc	24.3	26.0	+0.1	5.36
High Inc Perf Tst Acc	24.8	26.5	+0.1	5.36
Worldwide Tact Perf Tst	28.4	30.4	+0.2	2.71

Scottish Life Investments(z)
19 St Andrew Sq, Edinburgh 031-225 2211

Nelson (UK)	211.5	226.3	+0.6	2.60
Columbus (US)	190.8	199.9	+0.8	1.26
Marco Polo (Pac)	212.0	226.8	+1.7	0.26
Da Vinci (Eur)	222.4	237.9	+0.1	1.54
Drake (Wwr)	52.7	56.4	+0.2	2.63

Scottish Mutual Investment Managers Ltd
109 St Vincent St, Glasgow G2 5HN 041-248 6100

UK Equity	205.3	218.5	+0.8	2.67
UK Smllr. Cos. Equity	211.2	224.7	+0.8	1.90
UK Special Situations	61.4	65.4	+0.2	2.42
Income Plus	52.6	56.0	—	5.46
European	160.3	170.6	—	1.50
Far Eastern	52.2	55.6	+0.2	2.09
Japanese 1	53.7	57.2	+0.1	—
North American	113.4	120.7	+0.1	1.35

Trades Union Unit Trust Managers
100 Wood Street, London EC2 01-686 4355

TUUT Mar 1	212.5	223.7xd	—	3.22

Triton Fd Mngrs. Ltd.
Royal Ldn. Hse. Colchester CO1 1RA 0206 764400

Triton General	147.8	159.0	+0.6	1.56

Tyndall Unit Trust Managers Limited
25 Bucklersbury, London EC4N 248 3399

Convertible & General	59.0	62.6	+0.1	6.36
Accum Units	60.7	64.4	+0.1	—
Income	80.5	85.3	+0.2	4.41
Accum Units	80.5	85.3	+0.2	—
Smaller Co's	84.0	89.1	+0.3	2.02
Accum Units	84.9	90.0	+0.2	—
UK Growth	86.5	91.7	+0.6	2.26
Accum Units	87.6	92.9	+0.6	—
Pacific Gold Tst Acc	47.6	50.5	—	—

UK Unit Trust Managers Ltd
Worthing Road, Horsham, RH12 1SL 0403 40033

British Growth Fd	59.3	63.1	+0.2	1.69
Technical Analysis Fd	51.3	54.6	-0.1	3.33

Unit Trust Account & Mgmt. Ltd
20 Copthall Ave, London, EC2R 7PA 01-588 6064
Advisors: Henderson Crosthwaite Ltd

Friars Hse Cap Fd	180.5	192.0	—	1.58
Friars Hse Inc Fd	152.7	164.7	—	3.40

United Charities Unit Trusts (a)(c)(g)
Unicorn Hse, 252 Romford Rd, EC. 01-534 5544

United Charities	172.3	183.7	+1.9	4.57

Vanguard Trust Managers Ltd (z)
65 Holborn Viaduct, London EC1A 2EU 01-236 3053
Dealing Line: 01-236 2468

Charifund	183.5	195.2	—	1.47
(Accum Units)	187.1	199.0	—	—
Far East & Gen.	53.9	57.3	-0.1	—
(Accum Units)	53.9	57.3	-0.1	—
Master Portfolio	66.298	67.957	-0.374	3.01
(Accum Units)	68.094	69.840	+0.385	—
American & Gen.	56.3	59.9	+0.1	1.90
(Accum Units)	57.0	60.6	—	—
Growth	211.7	225.2	+0.1	1.99
(Accum Units)	319.3	339.7	+0.1	—
High Yield	270.3	287.4	—	4.41

INSURANCES

Continued on next page

FT UNIT TRUST INFORMATION SERVICE

Phoenix Assurance Co Ltd
Phoenix House, Redcliff Hill, Bristol 0272 294941

Life Assurance Funds				
Wealth Assur.	381.3	401.5	—	—
Ebr. Ph. Eq.	316.0	357.6	—	—
Pension Plan Funds				
Phoenix				
UK Equity Acc.	165.9	174.6	+0.4	—
International Acc.	127.1	133.7	+0.2	—
Property Acc.	125.5	132.1	+0.1	—
Fixed Interest Acc.	155.6	163.7	+0.1	—
Money Acc.	136.9	144.1	—	—
Bldg. Soc. Link Acc.	134.0	141.0	—	—
Special Mngd. Acc.Q	146.9	154.6	+0.2	—
Phoenix/Framlington				
Intl. Growth Acc.	88.4	93.0	-0.9	—
Amer. & Gen. Acc.	82.0	86.3	-0.8	—
Capital Tst. Acc.	174.6	183.7	—	—
Japan & Gen Acc.	177.0	186.3	-3.3	—
American Turn. Acc.	83.6	88.0	-0.2	—
Recovery Tst. Acc.	171.8	180.8	-0.7	—
Special Mngd Acc.	143.0	150.5	-0.8	—
Phoenix/IBT				
International Acc.	121.7	128.1	-2.4	—
US & General Acc.	90.8	95.5	-1.7	—
Amer Spec Sits Acc.	66.0	69.4	-0.5	—
Japan & General Acc.	173.1	182.2	-5.7	—
Far East & Gen. Acc.	136.0	143.1	-4.3	—
UK Capital Acc.	171.0	180.0	-0.6	—
European Acc.	133.8	140.8	-2.3	—
Special Mngd. Acc.	124.8	131.3	-1.7	—

Pioneer Mutual Insurance Co Ltd
16 Crosby Rd, N. Waterloo, Liverpool 051-928 6655

Managed Fund	266.0	280.1	-0.1	—
Man Pens Inc & Cap Fds.	340.2	358.1	-0.2	—
Money Fund	111.5	117.4	+0.1	—
Pens Mngd Fd (Unit)	85.3	89.8	+1.9	—
Pens Mngd Fd (Acc)	96.0	101.1	+2.2	—
Pens FT30 Fd (Unit)	129.6	136.5	+1.6	—
Pens FT30 Fd (Acc)	145.8	153.5	+1.9	—
Pens O'seas MgFd(Unit)	56.7	59.7	—	—
Pens O'seas MgFd(Acc)	63.8	67.2	+0.1	—
Pens Fxd Int. Fd (Unit)	105.2	110.8	+0.5	—
Pens Fxd Int Fd (Acc)	118.4	124.7	+0.9	—
Pens Deposit Fd (Unit)	100.9	106.3	—	—

Prudential Assurance Co
Holborn Bars, London EC1N 2NH 01-405 9222

Prufund			
Managed Mar 2	196.7	204.9	—

Prudential Holborn Life Ltd
30 Old Burlington St, London W1X 1LB 01-439 3134

Managed Fd	437.0	460.1	+1.1
Equity Fd.	893.0	940.1	+1.9
Intnl. Fd	303.6	319.6	+2.3
Fixed Int. Fd.	367.3	386.7	+0.6
Prop Fd	306.1	322.3	—
Cash Fd	254.6	267.8	+0.1
Pacific Basin Fd.	166.6	175.4	+0.8
North American Fd.	125.8	132.5	+1.7
European Fd.	130.2	137.1	+1.0
Holborn Balanced Grth Fd.	99.9	105.2	+0.6
Holborn Strategic Grth Fd.	98.3	103.5	+0.6

Prudential Holborn Pensions Ltd
30 Old Burlington St, London W1X 1LB 01-439 3134

Managed	467.2	491.8	+0.7
Equity	668.8	704.0	+1.4
Global Equity	193.1	203.3	+0.8
Fixed Interest	375.5	395.3	+1.0
Property	307.1	323.1	—
Cash	138.0	145.3	—
Index Linked Gilt.	163.3	171.9	-0.5
Guaranteed	8.96	—	—
International Money	183.0	192.7	-2.2
North American Fd.	55.2	58.2	-0.1
Japanese Fund.	119.7	126.1	-0.3
European Fund	69.0	72.7	-0.1
Special Situations Fd.	96.5	101.6	+0.2
Communications Fund.	80.7	85.0	+0.2
Smaller Cos Fund	99.1	104.4	+4.6

Prudential Pensions Limited
Holborn Bars, London EC1N 2NH 01-405 9222

Discretry Mar 2	£123.31	126.84	—
Equity Fund Mar 2	£131.53	135.51	—
Intntl Fund Mar 2	£21.15	21.85	—
Intl Bond Fd Mar 2	£10.96	11.13	—

OFFSHORE AND OVERSEAS

MANAGEMENT SERVICES

FT UNIT TRUST INFORMATION SERVICE

LONDON SHARE SERVICE

BRITISH FUNDS

1987/88 High	1987/88 Low	Stock	Price £	+ or –	Yield Int.	Yield Red.
		"Shorts" (Lives up to Five Years)				
102¼	99	Exch 10½pc '88	100¼	.....	10.47	8.76
101	98	Treas 9¾pc Cv '88	100	–	9.73	8.77
98¾	93	Transport 3pc '78-88	98	+	3.04	6.79
101⅝	98	Treas. 9½pc '88	100¼	–	9.48	9.01
105	101	Treas 11½pc 1989	102	–	11.26	9.05
102	97	Treas 9½pc Cnv 1989	100	–	9.45	8.99
96	89¼	Treas 3pc 1989	96	.....	3.12	6.35
104⅝	99	Treas 10½pc 1989	101	.....	10.39	9.07
103	98½	Exch. 10pc 1989	101	+	9.89	9.09
105¼	100	Exch 11pc 1989	102¾xd	.....	10.71	9.07
96	89	Treas 5pc 1986-89	96xd	+	5.19	7.43
108	99	Exch 10¼pc Cv '89	103	+	9.87	7.76
111	104	Treas 13pc 1990‡‡	106	+	12.19	9.00
106½	100	Exch 11pc 1990‡‡	103	+	10.65	9.06
110	103	Exch. 12¼pc 1990	106xd	.....	11.77	9.10
92	84½	Treas. 3pc 1990	92	+	3.25	6.85
100	93	Treas 8¼pc 1987-90‡‡	98	.....	8.35	8.84
101	98	Treas. 8pc Cv 1990	101	+	7.90	7.40
105	97½	Treas. 10pc Cv 1990	102	.....	9.80	9.11
91	81	Exch 2½pc 1990	89¾	–	2.78	6.65
110½	102	Treas 11¾pc 1991	106	+	11.04	9.12
95	87¼	Funding 5¾pc '87-91‡‡	93xd	+	6.13	8.07
90	80¼	Treas. 3pc 1991	88	–	3.38	6.99
110½	98½	Treas 10pc Cv '91 ‡‡	104	+	9.56	8.40
109¾	101	Exch. 11pc 1991	105	+	10.41	9.12
99	91	Treas. 8pc 1991	96	+	8.28	9.06
116	107	Treas 12¾pc 1992‡‡	111	+	11.43	9.11
106	97	Treas 10pc 1992	102	+	9.72	9.10
99½	90	Treas. 8pc 1992 ‡‡	96½xd	+	8.29	9.04
108	99½	Treas 10½pc Cv 1992‡‡	104	+	10.04	9.13
86	79	Treas. 3pc 1992	85	–	3.52	7.11
115¾	105	Exch. 12¼pc '92	111	+	11.03	9.17
121	110	Exch 13½pc 1992	115xd	+	11.68	9.19
		Five to Fifteen Years				
107	97	Treas 10pc 1993‡‡	103½xd	+	9.67	9.14
118	107½	Treas 12½pc 1993‡‡	113	+	10.99	9.17
95	82¼	Funding 6pc 1993‡‡	91xd	–	6.52	7.80
125	113¼	Treas 13¾pc 1993‡‡	119¾	+	11.50	9.24
129	117½	Treas 14½pc 1994‡‡	124	+	11.70	9.19
124	112	Exch 13½pc 1994	119¾	+	11.32	9.29
107¾	97	Treas. 10pc Ln. 1994‡‡	104	+	9.61	9.13
120	106	Exch. 12½pc 1994	115	+	10.84	9.28
103¼	92	Treas 9pc 1994‡‡	100	+	8.99	8.98
118¼	105	Treas 12pc 1995	113	+	10.57	9.28
84¼	76	Exch 3pc Gas 90-95	83¼	+	3.61	5.95
109	97¼	Exch. 10¼pc 1995	105	+	9.70	9.16
123	110	Treas 12¾pc 1995‡‡	118	+	10.74	9.28
130	116¼	Treas. 14pc '96	124	+	11.21	9.43
102	92	Treas. 9pc 1992-96‡‡	100xd	+	8.99	8.95
139	123	Treas 15¼pc 1996‡‡	132	+	11.50	9.41
127	113	Exch 13¼pc 1996‡‡	122¼	+	10.85	9.31
89	81¼	Redemption 3pc 1986-96	86xd	+	3.49	5.03
108	95¾	Conversion 10pc 1996	104	+	9.59	9.26
128	113½	Treas 13¼pc 1997‡‡	122	+	10.77	9.36
111	98¼	Exch 10½pc 1997	107	+	9.79	9.28
101	88	Treas 8¾pc 1997‡‡	97¾	+	8.96	9.12
97	92½	Tr 8¾pc Ln "C" 1997	97¾	+	8.96	9.12
140	123	Exch 15pc 1997	133¾	+	11.21	9.54
106	95	Exch. 9¾pc 1998	103	+	9.46	9.25
88	78	Treas 6¾pc 1995-98‡‡	86	+	7.87	8.90
145	128	Treas. 15½pc '98‡‡	139xd	+	11.13	9.52
122	107	Exch. 12pc 1998	117	+	10.23	9.39
106	92	Treas 9½pc 1999‡‡	102	+	9.28	9.14
124	109	Exch. 12¼pc 1999	119½xd	+	11.26	9.39
113	98½	Treas. 10½pc 1999	108	+	9.70	9.29
111	96	Conversion 10¼pc 1999	106¼	+	9.61	9.30
100¼	86	Treas. 8½pc Ln 2000‡‡	95	+	8.89	9.10
103	89½	Conversion 9pc 2000‡‡	98	+	9.10	9.14
131¼	114¾	Treas. 13pc 2000	125	+	10.35	9.44

BRITISH FUNDS—Contd

1987/88 High	1987/88 Low	Stock	Price £	+ or –	Yield Int.	Yield Red.
101	89¾	Conv 9pc Ln 2011	100	+	8.94	
69¾	59⅞	Treas. 5½pc 2008-12‡‡	67⅝xd	+	8.10	
91¾	79	Treas. 7¾pc 2012-15‡‡	88	+	8.76	
134	116	Exch. 12pc '13-'17	129	+	9.26	
		Undated				
45⅛	39	Consols 4pc	44¼	+	9.04	–
41	34	War Loan 3½pc‡‡	39⅞	+	8.89	–
52	46½	Conv. 3½pc '61 Aft	51xd	+	6.85	–
34	29	Treas. 3pc '66 Aft	32⅞xd	+	9.13	–
29	24	Consols 2½pc	28xd	+	8.93	–
29	24	Treas. 2½pc	28xd	+	8.93	–
		Index-Linked			**(1)**	**(2)**
119¼	108	Treas 2pc IL '90(333.9)	118	+	0.63	2.01
101¼	93½	Do. 2pc '92‡‡ (385.8)	100xd	+	1.85	2.50
131	119	Do. 2pc '96(267.9)	131½xd	+	3.29	3.54
111½	96¾	Do 2½pc '01 (308.8)	109xd	.....	3.71	3.94
110	94¼	Do. 2½pc '03(310.7)	107	.....	3.73	3.93
113	94	Do. 2pc '06(274.1)	108¼	.....	3.77	3.94
108	89	Do. 2½pc '09(310.7)	101	.....	3.77	3.93
115	93	Do. 2½pc '11(294.1)	105⅝	–	3.77	3.92
95	76	Do. 2½pc '13(351.9)	88½	.....	3.72	3.86
103	83⅝	Do. 2½pc '16(322.0)	95	.....	3.69	3.82
101	81¼	Do. 2½pc '20 (327.3)	93	.....	3.63	3.75
86	68	Do. 2½pc '24 ‡‡(385.3)	78¼	.....	3.57	3.68

Prospective real redemption rate on projected inflation of (1) 10% and (2) 5%. (b) Figures in parentheses show RPI base month for indexing, ie 8 months prior to issue. RPI for June 1987:101.9 and for January 1988: 103.3 (rebased at 100 January 1987 conversion factor 3.945).

INT. BANK AND O'SEAS GOVT STERLING ISSUES

High	Low	Stock	Price £	+ or –	Int.	Red.
113⅞	97½	African Dv Bk 11¼ Ln 2010	108¼	+	10.29	10.18
109¼	93	Asian Dev Bk 10¼pcLn2009	104	+	9.86	9.79
136	117¼	Australia 13½pc 2010	129	+	10.43	10.14
118¼	100½	Do. 11½pcLn2015	112	+	10.12	10.03
115⅝	99¾	Euro Inv Bk 11pc Ln 2002	109	+	10.01	9.72
110¼	94⅞	Do. 10¾pc2004	105	+	9.83	9.68
126½	109⅝	Int-Am Dev Bk 12½pc 2003	119¾	+	10.44	9.92
104⅝	88¼	Do. 9⅝pcLn 2015	98⅜	+	9.91	9.91
97¼	83	Mlysia 10¾pcLn 2009	92xd	+	11.63	11.71
130⅞	100	Sweden 13½pc Ln 2010	129	+	10.40	10.08
103½	87	Utd Mexican States 16½pc 2008	103xd	+	16.02	15.98

CORPORATION LOANS

High	Low	Stock	Price £	+ or –	Int.	Red.
109¾	103	Birmingham 13½pc 1989	105⅜	–	12.81	9.93
119	100½	Do 11½pc 2012	110	+	10.37	10.27
95¼	82½	GLC 6¾pc 1990-92	91¼xd	–1¼	7.40	9.60
132½	115	Leeds 13½pc 2006	126	.....	10.71	10.35
35	22	Liverpool 3½pc Irred	32½xd	+2½	10.77	–
96	85	LCC 6¾pc '88-90	93	–	7.26	10.20
31½	21	Do. 3pc '20 Aft	30xd	.....	10.00	–
115	103½	Manchester 11½pc 2007	109	.....	10.55	10.40

COMMONWEALTH & AFRICAN LOANS

High	Low	Stock	Price £	+ or –	Int.	Red.
92¾	81¼	NZ 7¼pc 1988-92	92	.....	7.88	9.50
207	165	S Rhod 2½pc Non-Assd	197	.....	–	–
78	65	Do. 4½pc 87-92 Assd	71½	.....	–	–
860	70	Zimbabwe Ann (£100pa)	89½	.....	–	–

LOANS

Building Societies

Public Board and Ind.

Financial

FOREIGN BONDS & RAILS

AMERICANS

Continued on next page

Money Market Trust Funds

Money Market Bank Accounts

LONDON SHARE SERVICE

AMERICANS—Contd

1987/88 High	Low	Stock	Price £	+ or –	Div Gross	C'vr	Y'ld Gr's
44⅞	21⅝	Sun Co. Inc. $1	29	+½	$3.00	–	5.5
42⅝	22⅝	TRW Inc. 62½c	26	+⅞	$1.60	–	3.3
37⅞	21	Tenneco $5	23¾	+¼	$3.04	–	7.2
220	149½	Do. 10pcLn.Stk. 91-5	155		10%	–	14.7
29⅜	15¾	Texaco $6.25	24	+⅞	$3.00	–	6.6
74⅞	36⅞	Time Inc. $1	49	+⅛	$1.00	–	1.1
30⅜	15	Transamerica $1	19½	–⅛	$1.84	–	5.2
14⅝	1¼	Transworld Corp $5	961p	+58	20c	–	1.1
27⅝	12⅝	TRINOVA Corp	18⅝	+¼	56c	–	1.7
24⅞	12⅝	USX $1	18⅞		$1.20	–	3.6
37⅞	16⅝	Utd. Technologies	21¾	+⅛	$1.40	–	3.5
38⅝	25¾	US West	29⅝	–¼	$3.28	–	6.0
30½	17⅛	Waste Management $1	19⅝	–¼	36c	–	1.0
31⅝	11⅝	Whirlpool $1	15½	–⅛	–	–	–
37⅛	16⅛	Woolworth $3½	24⅝		$1.32	–	2.9

CANADIANS

[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

BANKS, HP & LEASING

[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Hire Purchase, Leasing, etc.

[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

BEERS, WINES & SPIRITS

[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

BUILDING, TIMBER, ROADS

[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

BUILDING, TIMBER, ROADS—Contd

[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

CHEMICALS, PLASTICS

[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

DRAPERY AND STORES

[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

DRAPERY AND STORES—Contd

[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

ELECTRICALS

[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

ENGINEERING

[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

ENGINEERING—Contd

[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

FOOD, GROCERIES, ETC

[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

HOTELS AND CATERERS

[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

INDUSTRIALS (Miscel.)

[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

INDUSTRIALS (Miscel.)—Contd

[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

INDUSTRIALS (Miscel.)—Contd.

[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

INSURANCES

[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

هكذا من الأصل

LONDON SHARE SERVICE

INSURANCES—Contd

1987/88 High	Low	Stock	Price	+ or −	Div Net	C'vr	Y'ld Gr's	P/E
612	303	Sturge Hldgs 20p	434	.....	8.5	2.4	2.7	21.7
£12¼	645	Sun Alliance	930	+1	†23.5	−	3.5	−
£13	865	Sun Life 5p	£10½	+¼	†28.5	−	3.7	−
£69	£36¼	♦Taisho M Y50	£52½	.....	Q10%	−	0.8	−
£22¼	£12¾	Torchmark $1.00	£16¾	+½	Q$1.00	−	3.2	−
410	235	Trade Indemnity	385	−2	14.3	−	1.6	−
£34	£17¼	Travelers $1.25	£20¼	+¼	$2.40	−	6.5	−
£30½	£15¼	USF & G Corp $2.50	£18¾	−¼	Q$2.64	−	7.9	−
£33⅜	£15⅛	USLIFE Corp $1.0	£20⅜	.....	Q$1.20	3.2	3.4	9.1
738	495	♦Utd Friendly B 10p	495	.....	21.0	−	5.8	−
464	192	Willis Faber 12½p	217	+2	†10.75	2.4	6.8	8.3
128	41	♦Windsor Secs. 10p	61	−2	0.8	♦	1.8	♦

LEISURE

1987/88 High	Low	Stock	Price	+ or −	Div Net	C'vr	Y'ld Gr's	P/E
35½	9	♦A & M Group 10p	11	.....	−	−	−	−
242	77	Airtours 10p	104	.....	Ld5.4	1.6	7.3	12.1
*549	253	Anglia TV	415xd	.....	14.5	♦	4.8	♦
141	62	♦Avesco 1p	81	+1	0.5	6.7	0.8	22.9
72	40	♦BCE Hldgs 5p	40	−1	Ld1.0	2.7	3.4	14.9
300	132	Barr & W.A.T. 'A'	225	.....	†8.0	1.4	4.9	18.3
58	20	♦Bond Media	20	.....	−	−	−	−
235	165	Boosey & Hawkes	207	+9	−	−	−	−
83	28	♦Border T V	41	.....	†1.4	2.4	4.7	11.9
*439	43½	Brent Walker 10p	258	+6	†8.5	2.2	3.9	16.9
124	79	Do 6pc.Cv.Cm.Rd Pf.	104	+1	6.0	−	7.9	−
*338	110	Campari Intl. 20p	282	+3	†3.0	5.1	1.5	14.4
306	152	♦Castle Comms 5p	196	.....	L7.0	2.0	5.1	13.6
211	127	Capital Radio 10p	189	.....	6.0	2.7	4.3	11.7
684	370	Central TV	538	+2	†17.0	2.3	4.4	13.7
274	111	Chrysalis	118	−2	7.0	1.9	8.1	8.7
101	33	♦Cityvision 5p	72	+5	0.5	♦	1.0	♦

MOTORS, AIRCRAFT TRADES

Commercial Vehicles

Components

Garages and Distributors

NEWSPAPERS, PUBLISHERS

PAPER, PRINTING, ADVERTISING

PAPER, PRINTING, ADVERTISING—Contd

PROPERTY

SHIPPING

SHOES AND LEATHER

SOUTH AFRICANS

TEXTILES

TEXTILES—Contd

TOBACCOS

TRUSTS, FINANCE, LAND

Investment Trusts

TRUSTS, FINANCE, LAND—Contd

Finance, Land, etc

OIL AND GAS

OIL AND GAS—Contd

OVERSEAS TRADERS

PLANTATIONS

Rubbers, Palm Oil

Teas

MINES

Central Rand

Eastern Rand

Far West Rand

O.F.S.

Diamond and Platinum

Central African

Finance

Australians

MINES—Contd

Tins

Miscellaneous

THIRD MARKET

NOTES

REGIONAL & IRISH STOCKS

The following is a selection of Regional and Irish stocks, the latter being quoted in Irish currency.

IRISH

TRADITIONAL OPTIONS

3-month call rates

Industrials

Property

Oils

Mines

A selection of Options traded is given on the London Stock Exchange Report Page

LONDON STOCK EXCHANGE

Account Dealing Dates			
*First Dealings	Option Declarations	Last Dealings	Account Day
Feb 22	Mar 3	Mar 4	Mar 14
Mar 7	Mar 17	Mar 18	Mar 28
Mar 21	Apl 7	Apl 8	Apl 18

*New time dealings may take place from 9.00 am two business days earlier.

Gilt-edged steady but equities lose early gains as sterling continues its advance

THE UK SECURITIES markets continued to respond positively to the Prime Minister's statement on sterling policy yesterday, although early gains in blue chip stocks melted away when the pound renewed its advance. Government bonds held steady in active two-way trading, with some investors beginning to take profits as analysts weighed the prospects for the UK trade figures for February, due at the end of this month.

Both bond and equity analysts found reasons for comfort in Mrs Thatcher's statement of official sterling policy. The equity market, however, was not totally convinced that a cut in domestic rates can be ruled out.

"There has to be a level at which the authorities cannot let sterling go any higher", commented Mr Roger Charlesworth of Chase Manhattan.

There was very little selling pressure on the international stocks, despite sterling's strength.

The Gilt-edged market was a little more cautious, although there were plenty of new buyers, encouraged by the currency factors. Other investors, however, took the view that sterling might not maintain its vigour for long if Britain's overseas trade position continues to deteriorate. Mr Nigel Richardson of Warburg Securities recalled the poor UK trade figures for January, adding that Warburg has increased its forecast for the February deficit from £400m to 450m. The trade figures are due on March 25, ten days after Budget Day.

However, the City remains confident of a favourable Budget, with perhaps £3bn to £4bn of tax cuts, and a modest or even zero Public Sector Borrowing Requirement number.

Equities opened the day well, and showed an 11 point gain on the FT-SE Index, before a slow start on Wall Street, combined with the latest upswing in the pound, took the head off the market.

At the close, the FT-SE 100 Index was a net 0.3 down at 1815.3. Turnover remained good by the standards of last month, with 458.4m shares moving through Seaq.

Good profits from BICC and GKN continued the flow of excellent trading results which has played its part in the equity market's recent recovery. Glaxo, with its results due on Monday, shrugged off the strength of the pound to close firmly. A minor fall in ICI, with sales vulnerable to sterling's strength against the DM, made no impact elsewhere in the market.

Once again, British Petroleum shares were strongly bought as US and British funds continued to take a highly positive view of the group's prospects: reports that Saudi and other Opec members want a meeting on oil prices were noted by London analysts. Suggestions that the Kuwait Investment Office has led the recent buying of BP shares were doubted in the market.

Government bonds were firm for most of the session, and towards the close the yield on long-dated issues dipped to 9.15 per cent, its lowest level since November 20. Gains were clipped back a touch in the final minutes, to give net rises on the day of about ⅛.

Turnover in Gilts was very active, with profit-taking sellers finding no difficulty in discovering new buyers. However, while bonds have attracted the lion's share of new investment interest since Christmas, the yield gap may now be favouring equities, according to some analysts.

Index-linked Gilts, as expected, opened easier after Mrs Thatcher's assurance that inflationary interest rate cuts will be resisted at present. Turnover was very thin, however, and prices steadied when a buyer appeared at the close, to show little change on the day.

British Petroleum "old" and "new" were again the biggest traded stocks in the market as rumours about the recent big buyer of both classes of stock continued to circulate. "Same story, same people" said one dealer who also said any buying by the Kuwait Investment Office on Tuesday was "small beer compared with previous buying sprees".

Helped by further big buying by US investors expecting a bounce in oil prices BP "old" rose 3 more to 259p and the "new" 3½ to 73p, on respective turnovers of 10m and 24m.

Other oils "behaved well but the level of business was smaller than on Tuesday" a trader said. Ultramar's preliminary figures were well received and the shares moved up 9 to 253p on turnover of 3.2m while Shell, 3.7m shares traded, put on 9 to 993p. A "switch" operation from Enterprise to LASMO left the latter 8 higher at 312p; the former managed a 3 rise at 328p.

British Aerospace shares traded less actively as the market awaited the profit figures from Rover, its planned acquisition, which are due today. The shares eased 8 to 375p, but still show a premium of about 25p since the board surprised the City with its plan to buy Rover. Turnover slipped to 3.6m shares.

Shares in Rover, also firm in the market recently, put on another 4 to 89p ahead of the trading statement. Very few shares are available for trading in the market in view of the Government's near 100 per cent in the equity.

Beecham gathered pace ahead of the report expected in tomorrow's edition of The Lancet on Eminase, the company's heart drug. The report will be followed by a conference for heart specialists and analysts at which the stock market hopes to learn the name of Beecham's prospective partner for the marketing of the drug in the US.

Beecham rose to 492p prior to closing 5 higher at 490p on a turnover of 2.6m shares.

Scottish & Newcastle continued to dominate the Brewery sector with turnover reaching 3.2m shares. Speculation persisted of Elders IXL, the Australian group, having increased its stake of 2 per cent over the two previous sessions, but sellers dictated the trend yesterday.

From the outset, the shares went into reverse with stock at one stage being offered by competing marketmakers at levels as low as 263p, this despite some sizeable buying orders. S & N steadied eventually and closed 5 down on the day at 264p.

Worries about possible tax reforms in Tuesday's budget continued to cast a shadow over life assurances where Abbey Life were again badly affected and dipped 4 to 255p. Similar falls were recorded in Legal & General, 275p and Pearl, 452p.

Composite insurances showed General Accident 13 off at 896p despite positive circulars from a number of leading securities houses, notably Kleinwort Grieveson which rates the stock as "undervalued by 10 per cent relative to the sector".

Saltire Insurance raced up 5 to 83p after Chase Property Holdings disposed of its 14.89 per cent stake, of which 9.83 per cent of Saltire went to London and Manchester.

Potential Brewery investors disregarded advice to be slightly overweight in the sector and only Whitbread "A", said by the research team at BZW, the securities house, to look "very cheap", managed to improve. The shares settled 3 higher at 299p. Macallan-Glenlivet were favoured again ahead of the preliminary figures, due later this month, and rose 15 to 620p.

Selected Building shares emerged from a quiet spell to close with useful gains. Taylor Woodrow rose 15 to 430p following a bear squeeze, while AMEC gained 7 to 364p on news that the company had been awarded a $130m contract for the first stage of a natural gas conversion programme in Ankara, Turkey. Marley attracted buyers ahead of the annual results due at the end of the month and rose 7 to 159p. Federated Housing rose 11 to 267p in reply to the good annual results, but Attwoods fell 10 to 293p after revealing disappointing half-year figures. Barratt Developments, interim results due on March 23, added a couple of pence to 200p with Cazenove reportedly keen buyers.

W.H. Smith "A", designated an "Alpha" stock at the start of the week, were a notable weak spot in an otherwise quiet retailing sector with the shares retreating 12 to 293p on turnover of 1m on fears that the Chancellor may impose VAT on books and newspapers in his Budget. BZW, the UK securities house, issued a "sell" recommendation on the stock and reduced its forecast for the year to end May 1988 from £79m to £71.5m.

Other top stores issues were mostly easier. Ward White were persistently sold and settled 6 off at 317p. In the second-liners Pentos, after revealing satisfactory preliminary results on Tuesday, was also hit by the VAT fears and gave up 5 to 120p. Footwear group Lambert Howarth fell 8 to 233p on consideration of the annual results while preliminary profits up from £5.32m to £6.35m failed to inspire Pittard Garnar, 4 off at 227p.

British Telecom managed a minor improvement to 250½p early on with turnover barely ticking over before being hit by a wave of US and London selling said to have been triggered by publicity given to the $130m lawsuit against BT's subsidiary Mitel filed in New York by Insat Inc, alleging breach of contract. BT shares dipped back to 245¼p before closing a net 2½ off at 246½p on turnover that expanded substantially to 8.2m.

BICC's preliminary profits, up 27 per cent at £128m compared with last time's £101m, were slightly disappointing to some analysts who had forecast in excess of £130m and the shares gave ground to close 9 off at 338p.

Kode International moved up 8 to 363p after profits of £1.73m against £1.32m.

GKN's preliminary figures were given a rousing welcome by the City and GKN shares spurted to 339p before closing a net 11 higher at 335p after a turnover of 5.4m shares.

The group's profits of £146.5m were well above the most optimisitic forecasts which had ranged to the low £140m's and analysts took a bullish view of the company's prospects at the post-results meeting.

Howden Group edged up 4 to 103p amid vague takeover speculation, while Symonds Engineering raced up to 45p prior to closing a net 8 higher at 44p on news that JF Nash had acquired a 15.9 per cent stake in the company.

United Biscuits were excited by a newspaper report that a major French food concern, BSN, had acquired a 5 per cent stake in the company. UB jumped from Tuesday's depressed level of 261p to touch 282p prior to closing a net 10¼ up at 271½p; United Biscuits' finance director James Blyth said that his company "had no knowledge whatsoever", of possible stakebuilding, but marketmakers were not ruling out the possibility of BSN having taken a lesser "friendly" stake recently. It was also suggested in the market that United Biscuits and BSN had explored the possibility of a merger at one stage, but that discussions had come to nothing.

Hillsdown Holdings' excellent annual profits were largely discounted and the price, having risen strongly recently, managed only modest progress to just a penny dearer at 302p. Half-year profits slightly below expectations clipped a couple of pence from Bejam at 175p, but revived bid hopes boosted Fitch Lovell 7 to 278p.

Ladbroke, awaiting today's preliminary results, moved up to 389p prior to closing 5 higher at 386p. Norfolk Capital were in demand ahead of figures due next Monday and added 2 to 28½p.

Glaxo were one of the few international stocks to perform, the shares rising ¼ to £10¼ on demand ahead of next Monday's half-year results. BOC were a shade off at 391p, as were BTR, at 263p. De La Rue gave further ground to close 4 cheaper at 407p, while recently firm Wellcome shed 7 to 482p. Beazer held steady at 189p amid unconfirmed reports that the company may be prepared to raise its bid for Koppers, one of the largest aggregates companies in the US. Beazer is currently bidding $45 per share for Koppers, valuing the latter at $1.3bn (£720m.) Yale and Valor firmed 5 to 271p following a recommendation from Barclays De Zoete Wedd, the securities house, while Redfearn gained 17 to 478p as stake building rumours revived.

Trading statements gave a boost to Tyne Tees Television, up 13 at 550p and Cityvision, 4 higher at 71p. Boosey and Hawkes rose 9 to 207p on news of Windjammer's increased holding; the latter now holds a 9.49 per cent stake.

Saatchi & Saatchi returned to favour after the decision, announced at yesterday's annual meeting, to merge Ted Bates, London with Dorland Advertising, a move which is claimed will benefit national and multinational clients of both agencies. US investment interest developed towards the end of the session, leaving Saatchi 10 higher on balance at 439p. Increased annual profits, but in line with market expectations, hardly affected Abbott Mead Vickers, at 231p, but FKB moved up 5 to 250p on a Citicorp Scrimgeour Vickers "buy" recommendation. John Michael (Design) went higher following the bid approach to close 6 up at 38p.

Properties continued in quietly firm vein, Land Securities rising 5 afresh to 513p and MEPC adding 3 to 483p. Peachey moved up 5 to 399p. British Land gained 7 to 274p on news that the company had contracted to acquire for a prime City site for £18.7m.

Renewed speculative interest ensured another upswing in Mersey Dock units, which finished 31 higher at 321p, but Textile manufacturer, J.Haggas, dropped 15 to 146p mirroring disappointment with the first-half results.

Fund Management groups experienced increased business after the announcement that Bond Corporation, the Australian conglomerate, had raised its stake to 9.23 per cent in M & G, which improved slightly to 376p. GT rose 8 to 168p and Mercury Asset Management regained 10 to 335p. A Shearson Lehman circular, ahead of Monday's interim results, directed interest towards MAI, up 6 at 111p.

Traded option business picked up, the total number of contracts rising to 27,083. Calls came out at 16,958 and puts 10,125. BP registered 2,210 calls and 1,059 puts in the wake of continued activity in the "old" and "new" shares. Hanson recorded 2,422 calls and 350 puts. The FTSE contract was lightly traded, calls amounting to just 762 with puts at 302.

Traditional Options

- First dealings Feb 29
- Last dealings Mar 11
- Last declarations Jun 2
- For Settlement Jun 13

For rate indications see end of London Share Service

Much quieter conditions were reported in traditional options but calls were arranged in Cauldon, Control Securities, Plessey, BP, Helene of London, Campari, Cadbury Schweppes, Western Mining and Inoco. A put was taken out in Control Securities while a double transacted in BP partly-paid.

FINANCIAL TIMES STOCK INDICES

	Mar. 9	Mar. 8	Mar. 7	Mar. 4	Mar. 3	Year Ago	1987/88 High	1987/88 Low	Since Compilation High	Since Compilation Low
Government Secs	90.68	90.53	90.59	90.24	90.41	90.12	93.32 (8/5/87)	83.73 (19/10/87)	127.4 (9/1/35)	49.18 (3/1/75)
Fixed Interest	97.11	97.15	96.80	96.72	96.52	95.51	99.12 (15/6/87)	90.23 (2/1/87)	105.4 (28/11/47)	50.53 (3/1/75)
Ordinary ♥	1460.1	1457.7	1462.8	1478.7	1469.6	1571.4	1926.2 (16/7/87)	1232.0 (9/11/87)	1926.2 (16/7/87)	49.4 (26/6/40)
Gold Mines	248.0	242.2	242.5	239.7	241.8	324.1	497.5 (4/8/87)	234.0 (29/2/88)	734.7 (15/2/83)	43.5 (26/10/71)
Ord Div.Yield	4.41	4.40	4.38	4.32	4.36	3.72				
Earnings Yld. %(full)	11.27	11.21	11.16	11.02	11.12	8.64				
P/E Ratio (net)(*)	10.83	10.90	10.95	11.08	10.99	14.19				
SEAQ Bargains (5pm)	27,697	29,438	31,964	37,045	33,257	49,829				
Equity Turnover (£m)	-	979.46	1111.11	1413.06	1484.59	1452.21				
Equity Bargains	-	32,429	36,755	39,585	36,537	56,688				
Shares Traded (ml)	-	436.5	464.6	618.4	563.5	600.1				

S.E ACTIVITY

Indices	Mar.8	Mar.7
Gilt Edged Bargains	161.2	138.4
Equity Bargains	210.1	238.1
Equity Value	1979.7	2245.8
5-Day average		
Gilt Edged Bargains	133.4	128.0
Equity Bargains	228.6	224.1
Equity Value	2553.0	2564.6

♥ Opening	10 a.m.	11 a.m.	12 p.m.	1 p.m.	2 p.m.	3 p.m.	4 p.m.
1464.1	1468.0	1466.3	1463.4	1463.7	1463.9	1462.7	1460.6

Day's High 1468.2 Day's low 1459.6

Basis 100 Govt. Secs 15/10/26, Fixed Int. 1928, Ordinary 1/7/35, Gold Mines 12/9/55, S E Activity 1974, * Nil=10.72.
† Correction

LONDON REPORT AND LATEST SHARE INDEX: TEL. 0898 123001

NEW HIGHS AND LOWS FOR 1987/88

NEW LOWS (14).

STORES (1) Chelsea Man, ELECTRICALS (3) Highland Elect., RISTEM, Systems, INDUSTRIALS (1) AAH, INSURANCE (1) Bryant (Derek), OILS (2) Claremont Pet., Command Pet., MINES (6) Modder B Gold, Cultus Res., Dragon Res., Jolia Mines, Swan Res., Thames Mining.

TRADING VOLUME IN MAJOR STOCKS

The following is based on trading volume for Alpha securities dealt through the SEAQ system yesterday until 5 pm.

Stock	Volume 000's	Stock	Volume 000's	Stock	Volume 000's
ASDA-MFI	3,300	Enterprise Oil	1,000	Prudential	1,600
Allied-Lyons	1,400	Fisons	3,800	Racal	2,000
Amstrad	5,000	General Accident	459	Rank Org.	1,300
Argyll Group	755	General Elect.	3,600	RMC	211
Assoc. Brit. Foods	430	Glaxo	733	RHM	432
BAA	200	Globe Investment	45	Reckitt & Colman	41
BAT	781	Granada	393	Redland	911
BET	784	Grand Met	[illegible]	[illegible]	[illegible]
BICC	2,000	GUS "A"	[illegible]	[illegible]	[illegible]
BOC	459	Guardian R.E.	[illegible]	[illegible]	[illegible]

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
Totals	958	598	1,399

FT – ACTUARIES INDICES

These Indices are the joint compilation of the Financial Times, the Institute of Actuaries and the Faculty of Actuaries

FIXED INTEREST

LONDON TRADED OPTIONS

LONDON RECENT ISSUES

EQUITIES

FIXED INTEREST STOCKS

"RIGHTS" OFFERS

WORLD STOCK MARKETS

AUSTRIA | BELGIUM/LUXEMBOURG | DENMARK | FINLAND | FRANCE | GERMANY | ITALY | NETHERLANDS | NORWAY | SPAIN | SWEDEN | SWITZERLAND | SOUTH AFRICA | AUSTRALIA | HONG KONG | SINGAPORE | JAPAN

[illegible]

JAL	15,300	-300	Nippon Denso	1,910	+60	Taisho Marine	1,180
J E O L	1,180	+20	Nippon Elect	2,100	+10	Taisho Pharm	1,820
Japan Radio	1,470	+30	Nippon Express	1,140	-20	Taiyo Fishery	476
Japan Steel Wks	419	+6	Nippon Gakki	1,960	.....	Taiyo Kobe Bank	1,570
Jap S Battery	490	+8	Nippon Hodo	3,450	-30	Takara Shuzo	965
Japan Synth Rbr	1,040	.....	Nippon Kayaku	1,230	-10	Takeda	3,220
Jujo Paper	748	+2	Nippon Kogaku	1,110	.....	Tanabe Seiyaku	2,510

NOTES — Prices on this page are as quoted on the individual exchanges and are last traded prices. (u) unavailable. ‡ Dealings suspended. xd Ex dividend. xc Ex scrip issue. xr Ex rights. xa Ex all. * Price in Kroner

CANADA

TORONTO
Prices at 2.30pm March 9

[illegible]

MONTREAL
Closing prices March 8

[illegible]

Total Sales 5,641,627 shares

OVER-THE-COUNTER *Nasdaq national market, 2.30pm prices*

Continued from Page 41

[illegible]

Stock		Sales (Hhds)	High	Low	Last	Chng
XOMA		884	13½	12⅞	13¼	+ ¼
Xicor	27	18357	8½	8	8½	+ ½
Xidex		3627	8¾	8¼	8⅝	+ ¼
Xylogic	11	157	13	12¼	12¾	+ ½
Xyvan	38	140	5⅝	5⅝	5⅝	+ ⅛
YlowFs .82	20	353	29⅝	29⅝	29½	
ZionUt 1.44		12	25¼	24½	24½	− ⅜
Zondvn	39	142	6¼	6⅛	6⅛	
Zycad	23	547	4⅛	4	4⅛	

Indices

NEW YORK DOW JONES

	Mar. 8	Mar. 7	Mar. 4	Mar. 3	1987-88 High	1987-88 Low	Since compilation High	Since compilation Low
◆Industrials	2081.07	2056.37	2057.86	2063.49	2722.42 (25/8/87)	1738.42 (19/10/87)	2722.42 (25/8/87)	41.22 (2/7/32)
Home Bonds	90.94	91.00	91.22	91.25	95.51 (9/2/87)	81.26 (19/10/87)	–	–
Transport	853.50	850.68	849.79	849.94	1101.16 (14/8/87)	661.00 (4/12/87)	1101.16 (14/8/87)	12.32 (8/7/32)
Utilities	179.94	179.94	182.37	182.73	227.83 (22/1/87)	160.98 (19/10/87)	227.83 (22/1/87)	10.50 (8/4/32)

◆Day's High 2090.02 (2069.30) Low 2055.04 (2034.15)

STANDARD AND POOR'S	Mar. 8	Mar. 7	Mar. 4	Mar. 3	1987-88 High	1987-88 Low	Since compilation High	Since compilation Low
Composite ‡	269.43	267.38	267.30	267.88	336.77 (25/8/87)	223.92 (4/12/87)	336.77 (25/8/87)	4.40 (1/6/32)
Industrials	312.42	309.52	308.98	309.34	393.17 (25/8/87)	255.43 (4/12/87)	393.17 (25/8/87)	3.62 (21/6/32)
Financials	23.92	23.75	23.86	24.04	32.43 (25/8/87)	20.39 (7/12/87)	32.43 (25/8/87)	8.64 (1/10/74)
NYSE Composite	151.62	150.53	150.43	150.70	187.99 (25/8/87)	125.91 (4/12/87)	187.99 (25/8/87)	4.46 (25/4/42)
Amex Mkt. value	296.04	294.14	293.74	292.51	365.01 (13/8/87)	231.90 (4/12/87)	365.01 (13/8/87)	29.31 (9/12/72)
NASDAQ OTC Comp	376.93	374.54	373.36	372.01	455.28 (26/8/87)	291.90 (28/10/87)	455.28 (26/8/87)	54.87 (31/10/72)

	Mar. 3	Feb. 26	Feb. 19	year ago (approx.)
Dow Industrial Div. Yield	3.38	3.41	3.42	2.95
	Mar. 2	**Feb. 24**	**Feb. 17**	**year ago (approx.)**
S & P Industrial div. yield	2.96	2.99	3.05	2.58
S & P P/E ratio	15.13	14.92	16.29	20.82

TRADING ACTIVITY † Volume

Millions	Mar. 8	Mar. 7	Mar. 4
New York	237.680	152.980	201.410
Amex	13.900	14.930	15.100
OTC	159.152	121.982	141.220

NEW YORK	Mar. 8	Mar. 7	Mar. 4
Issues Traded	1,995	1,971	1,962
Rises	1,067	845	670
Falls	532	710	812
Unchanged	396	416	480
New Highs	33	27	22
New Lows	6	4	4

CANADA

TORONTO	Mar. 8	Mar. 7	Mar. 4	Mar. 3	1987-88 High	1987-88 Low
Metals & Minerals	2725.5	2682.1	2656.4	2632.8	3507.5 (5/10/87)	1988.2 (2/1/87)
Composite	3303.6	3271.2	3251.5	3231.2	4112.9 (13/8/87)	2837.8 (28/10/87)
MONTREAL Portfolio	1647.44	1630.08	1619.54	1611.79	2224.77 (16/7/87)	1435.94 (26/10/87)

NEW YORK ACTIVE STOCKS

Tuesday	Stocks traded	Closing price	Change on day		Stocks traded	Closing price	Change on day
Pac Gas & Elect	32,435,100	16¼	+ ¼	Reebok	2,204,700	17½	+ ⅜
Chemical NY	9,918,100	25¼	+ ⅞	Firestone	2,008,600	62⅞	− ⅜
Detroit Edison	7,401,500	14⅝	− ⅛	AT&T	1,754,100	28¼	− ⅛
McDermott	5,099,800	19⅝	− ⅝	Unocal	1,667,900	38	+ 2
Phillips Pet	2,710,600	15⅝	+ ⅛	Polaroid	1,525,300	34¼	− 1⅛

Base values of all indices are 100 except NYSE All Common - 50; Standard and Poor's - 10; and Toronto Composite and Metals - 1000. Toronto indices based 1975 and Montreal Portfolio 4/1/83. † Excluding bonds. ‡ 400 industrials plus 40 utilities, 40 Financials and 20 transports. (c) Closed. (u) Unavailable.

	Mar. 9	Mar. 8	Mar. 7	Mar. 4	1987-88 High	1987-88 Low
AUSTRALIA						
All Ordinaries (1/1/80)	1341.0	1316.4	1324.4	1298.5	2305.9 (21/9/87)	1151.0 (11/11/87)
All Mining (1/1/80)	637.4	627.7	634.9	610.7	1462.4 (14/10/87)	532.4 (10/2/88)
AUSTRIA						
Credit Aktien (30/12/84)	172.15	171.56	171.69	171.28	232.19 (22/9/87)	163.98 (11/2/88)
BELGIUM						
Brussels SE (1/1/84)	5043.1	5021.7	4973.6	4938.9	5412.2 (13/8/87)	3503.8 (18/12/87)
DENMARK						
Copenhagen SE (3/1/83)	(u)	193.19	194.01	194.28	219.76 (27/8/87)	179.60 (20/11/87)
FINLAND						
Unitas General (1975)	585.4	590.1	588.5	587.6	679.1 (15/10/87)	425.2 (5/1/87)
FRANCE						
CAC General (31/12/82)	298.2	296.1	298.0	298.0	460.4 (26/3/87)	251.3 (29/1/88)
Ind. Tendance (31/12/87)	108.8	106.1	106.8	107.8	112.3 (25/2/88)	89.7 (29/1/88)
GERMANY						
FAZ Aktien (31/12/58)	456.31	456.50	455.64	455.82	676.84 (6/1/87)	396.40 (29/1/88)
Commerzbank (1/12/53)	1396.1	1394.8	1393.7	1388.7	2061.1 (17/8/87)	1207.9 (29/1/88)
HONG KONG						
Hang Seng Bank (31/7/64)	2531.76	2493.33	2470.40	2474.38	3949.73 (1/10/87)	1894.94 (7/12/87)
ITALY						
Banca Com. Ital. (1972)	498.41	497.51	489.27	489.39	767.34 (30/4/87)	423.91 (9/2/88)
JAPAN **						
Nikkei (16/5/49)	25605.39	25463.73	25616.58	25615.62	26646.43 (14/10/87)	18544.00 (13/1/87)
Tokyo SE New (4/1/68)	2104.33	2094.00	2107.98	2109.48	2258.56 (11/6/87)	1557.46 (13/1/87)
NETHERLANDS						
ANP-CBS General (1970)	243.3	239.5	238.1	238.0	334.1 (14/8/87)	192.2 (10/11/87)
ANP-CBS Industrial (1970)	197.9	193.5	193.1	192.5	280.8 (11/8/87)	147.5 (10/11/87)
NORWAY						
Oslo SE (4/1/83)	371.82	365.98	370.34	372.37	592.04 (21/9/87)	307.48 (10/11/87)
SINGAPORE						
Straits Times Ind. (30/12/66)	932.3	917.5	915.7	920.6	1585.4 (26/8/87)	700.4 (7/12/87)
SOUTH AFRICA						
JSE Gold (28/9/78)	(u)	1276.0	1244.0	1231.0	2499.0 (3/8/87)	1212.0 (29/2/88)
JSE Industrial (28/9/78)	(u)	1443.0	1444.0	1440.0	2266.0 (16/10/87)	1387.0 (13/2/88)
SPAIN						
Madrid SE (30/12/85)	267.82	266.71	266.73	263.37	325.44 (6/10/87)	201.08 (4/12/87)
SWEDEN						
Jacobson & P. (31/12/56)	2634.9	2606.5	2625.6	2614.7	3267.1 (8/10/87)	2068.6 (10/11/87)
SWITZERLAND						
Swiss Bank Ind. (31/12/58)	533.2	528.4	533.1	530.2	729.7 (5/10/87)	458.9 (10/11/87)
WORLD						
M.S. Capital Intl. (1/1/70)	(u)	446.9	446.4	444.1	495.9 (27/8/87)	361.3 (2/1/87)

** Saturday February 27: Japan Nikkei 25284.87 . TSE 2077.84

Base values of all indices are 100 except Brussels SE - 1,000 JSE Gold - 255.7 JSE Industrials - 264.3 and Australia, All Ordinary and Metals - 500; (c) Closed. (u) Unavailable.

CHIEF LONDON PRICE CHANGES YESTERDAY
(Prices in pence unless otherwise indicated)

RISES					
AMEC	384	+ 7	Royal Bk. Scotland	373	+ 8
Brit. Land	274	+ 7	Saatchi & Saatchi	439	+ 10
Fed.Housing	267	+ 11	Taylor Woodrow	430	+ 15
Fitch Lovell	279	+ 7	Tyne Tees TV	550	+ 13
GKN	335	+ 11	Ultramar	253	+ 9
LASMO	312	+ 8	Utd. Biscuits	270½	+ 9½
MAI	111	+ 8	**FALLS**		
Macallan-Glenlivet	620	+ 15	Attwoods	293	− 10
Marley	159	+ 7	BICC	338	− 9
Mersey Docks Units	521	+ 31	Brit. Aerospace	375	− 8
Michael (J.) Design	38	+ 6	Haggas (J.)	146	− 15
Redfearn	478	+ 17	Smith (W.H.) A	293	− 12

TOKYO - Most Active Stocks
Wednesday, March 9, 1988

	Stocks Traded	Closing Prices	Change on day		Stocks Traded	Closing Prices	Change on day
Nippon Kokan	147.99m	388	+10	Mitsubishi Heavy Industries	62.93m	670	+12
Ishikawajima-Harima Heavy Industries	95.55m	805	+28	Sumitomo Heavy Industries	55.28m	611	+6
[illegible] Steel	89.85m	444	+8	Tokyo Gas	40.87m	1,220	+40
[illegible] Steel	83.45m	391	+13	Kawasaki Heavy Industries	37.40m	349	+9
[illegible] Steel	83.17m	809	+40	Sumitomo Metal	26.99m	342	+6

Prices at 3pm, March 9

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

12 Month High	12 Month Low	Stock		Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
25⅝	14	AAR	s	.36	1.6	20	299	22¾	22¼	22¾	+¼
38⅛	21	AFG	s	.16	.4	16	5563	37	36	36⅝	−⅛
27	10½	AGS	s			15	729	17¾	17⅜	17½	
9⅛	3¼	AM	Intl				858	4⅛	4	4	
65½	28¾	AMR				13	2877	42¾	41⅞	42¾	+¼
12¾	6⅜	ARX				9	436	9¼	8¼	9	+⅝
73½	40⅛	ASA		3	6.2		604	48¾	47¾	48⅝	+⅞
22¾	9½	AVX				15	338	17⅞	17⅜	17⅝	−⅛
67	40	AbtLab		1	2.0	18	8279	50⅞	49¾	50⅝	+⅞
28	15⅜	Abitibi	g				73	19¾	19⅝	19⅝	+⅛
16¾	8½	AcmeC		.40	3.6		617	11¼	11	11⅛	−⅛
10½	6⅞	AcmeE		.32b	3.8	23	40	8⅜	8⅜	8⅜	
20	14⅛	AdaEx		3.05e	19.		91	16⅜	16⅛	16¼	−⅛
19½	6⅞	AdamMl		.24	1.9	10	56	12⅝	12½	12½	
24⅞	7½	AMD					3390	13½	13⅛	13¼	+⅛
56¾	29¼	AMD	pf	3	7.9		8	37⅞	37¾	37⅞	−⅛
11⅞	4⅝	Adobe				11	262	7	6¾	6¾	−¼
20½	16¼	Adob	pf	1.84	10.		2	18	18	18	
21¾	17½	Adob	pf	2.40	12.		65	20½	20⅜	20½	
15	6⅞	Advest		.12a	1.6	8	132	7¾	7⅝	7⅝	
67⅞	49½	AetnLf		2.76	5.8	6	1584	48	47¼	47¼	−½
83½	41	AflPub		.40	.6	37	1091	65	63⅞	64⅝	+1½
26⅜	13	Ahmans		.88	5.6	8	2113	15¾	15⅞	15¾	+⅝
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Continued on Page 41

NYSE COMPOSITE PRICES

Continued from Page 40

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
14¼	3⅝	PilgPr .08	1.4	10	56	4½	4¼	4⅝	−⅛	
48⅞	28	Pilsbry 1.12	2.9	16	6739	39¼	38½	38½	−⅜	
32⅝	26⅝	PinWst 2.80	10.	8	599	27¾	27⅝	27⅝	−⅛	
52	22¼	PionrEl .24r	.5		30	u52¾	52	52¾	+11	
50¼	28⅝	PitnyBw .92	2.1	17	2828	44¼	43¾	44	+½	
18⅛	8½	Pittstn			760	11½	11¼	11½	+⅛	
21⅜	10⅞	PlcrD gn .20			3318	13¼	12¾	13	+¼	
33¾	16⅛	PlainsP .10e	.4	31	268	23⅝	23¼	23½		
25¼	11½	Plantrn .16	.9	12	64	18¾	18½	18¾	+¼	
16⅝	10	Playboy		18	45	16⅛	16	16	+¼	
40¾	23½	Plessey 1.65e	5.3	13	18	31	30¼	31	+¼	
9	2½	PogoPd		10	98	4¾	4½	4¾	+⅛	
41⅜	16½	Polaroid s .60	1.7	19	8647	36	34¾	35⅜	+½	
27¼	9¾	PopTals .50	2.2	10	1307	23	22½	22⅝	+⅛	
14⅞	4½	Portec			45	7¾	7½	7⅝		
28½	20⅝	PortGC 1.96	8.5	8	510	23¼	23	23	−¾	
41⅞	21	Potlch s .92	2.9	10	393	32¼	32	32	−½	
88	48	Potlh pf 3.75	5.8		4	65	65	65	+1	
25⅜	18	PotmE s1.38	6.5	10	508	21⅜	21⅛	21⅛	−⅜	
31¾	16½	Premrk .32	1.1	14	795	30	29⅝	29⅝		
32½	21	Premr s .40	1.3	24	100	30¼	29¾	29⅞	+⅛	
29⅛	17	Primrk 1.36	6.4		1024	21⅜	21¼	21½	−¼	
31	12⅛	PrimeC		13	4313	17⅞	17½	17⅝	−¼	
50	21	PrimeM .08b	.2	21	1788	39	38¼	38¼	+¼	
21⅝	12¾	PrMLnd 2.04e	18.	19	27	18⅝	18½	18½	−⅛	
52½	21¾	Primca s1.60	5.4	9	678	30	29¾	29⅞	+⅛	
90	39½	Primc pf 3	5.9		1	50¾	50¾	50¾		
116½	105	Primc pf13.75	13.		3	107⅛	107⅛	107⅛	−⅜	
103½	60	ProctG 2.80	3.4	29	3880	82¼	81⅜	81⅝	−⅝	
20½	12⅝	PrdRs .40	2.4	19	104	16⅞	16	16¾	+¾	
34⅞	25½	ProgCp .40	1.4	9	588	29	28⅝	29	+¼	
10⅛	6	Prginc n .56e	6.6		36	8¾	8½	8½		

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low
46½	24¼	SnapOn .76	1.9	18	368	39¾	39¼	
10⅞	6½	Snyder 1.20	13.	51	971	9¼	8⅞	
22¼	13⅝	Snydr pf2.09	11.		21	18¾	18⅝	
11⅞	4½	Solitron		9	34	6¼	6⅛	
37¼	21⅜	Sonat 2	7.2	11	1121	28⅛	27¾	
41⅞	18¼	SonyCp .24e	.6		1055	u41⅞	41⅛	
30½	12¼	SooLin			49	20¼	20⅛	
43⅝	30	SourcC 3.60	9.3		79	38	37¼	
27¼	23	SrcCp pf2.40	9.5		1	25⅛	25⅛	
22⅝	16	SJerln s1.30	7.2	11	47	18⅛	17⅞	
51	28½	Soudwn 1	2.3	7	192	42⅝	42	
31⅜	17⅛	SoestBk 1	3.9	22	1250	25⅝	25⅜	
38¼	27⅝	SCalEd 2.36	7.5	9	7519	31⅝	31	
27⅜	17⅞	SouthCo 2.14	9.7	11	6992	22¾	21⅞	
39⅜	31	SoindGs 2.26	6.1	11	15	37	36¾	
57¾	43	SNET 3	6.0	11	73	50	49⅝	
37⅜	28	SoRy pf2.60	9.0		9	28⅞	28¾	
14¼	7⅝	SoUnCo .80	8.6		313	9½	9¼	
11¼	2⅞	Soumrk		3	685	3⅛	3	
42¾	10	Somk pf5.25e	58.	66	10	9	9¼	
30¾	6¾	Somk pf2.31	28.		81	8⅛	7⅞	
24½	11¾	SwAirl .13	.7	28	288	17⅞	17½	
28¾	18¼	SwtGas .34	6.2	10	107	21¾	21⅝	
46½	28⅛	SwBell s2.32	6.3	11	2829	37⅝	36⅞	
28¾	15⅝	SwEnr .56	2.7	17	87	20½	19⅞	
30⅞	22⅛	SwtPS 2.12	8.2	11	204	25⅞	25⅝	
19¼	9	Sparton .52	4.4	10	x180	11⅞	11½	
20	10¾	SpcEq n		12	128	16⅞	16	
20	7½	Spragen		67	458	12¼	11¾	
36¼	20¾	Spring s .84	2.4	11	105	34⅝	34⅝	
65½	43	SquarD 1.92	3.6	14	x390	53⅛	52½	
102⅞	55¼	Squibb s1.60	2.4	20	4221	68¾	67⅝	
32	18⅞	Staley .80	3.2	18	2793	25	24	
54¼	37½	Staley pf3.50	7.7		41	46½	45	

Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close	Chg
SierPad .76	7.8	12	94	22⅝	22⅛	22½	−⅛	
SgnlAps .12	1.9	5	116	6⅝	6	6¼		
Signet 1.32	4.3	36	157	30⅞	30⅝	30⅝	+⅛	
Singer		25	48	49⅛	48¼	48¼		
Singr pf3.50	12.		38	28¼	28¾	29	+½	
Sizeler 1.56	8.2	17	6	19	19	19	+¼	
Skyline .48	3.1	15	123	15⅜	15⅛	15¼	+¼	
Slattery		27	3	22⅝	22⅝	22⅝		
Smithln		6	326	7⅞	7¾	7⅞	+⅛	
SmkB s1.84	3.1	13	2257	59⅝	58¾	59¼	+⅛	
Smuckr .72	1.4	18	41	52	51½	52	+¼	

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close	Chg
32¼	19½	UST s	1.48	4.6	14	1209	32¼	31⅛	31⅞	+⅝
39⅜	21	USX	1.20	3.6	69	4492	33¾	33⅜	33⅜	+¼
51	42	USX pf4.90e	9.9			71	49½	49⅜	49½	+⅞
63	41½	USX pr 3.50	6.3			63	55¾	55¼	55⅞	+⅝
5¼	⅜	USX wt				112	1¼	1⅛	1⅛	+⅛
37⅜	13⅛	Ultmte			9	687	15⅝	15¼	15⅝	+⅛
32⅛	17½	UniFrst .20	.8		18	x16	25⅞	25¾	25¾	−¼
47½	28⅝	Unilvr s .11	2.7		14	134	37⅝	36¾	37⅛	+¼
73½	38	UnNV s1.90l	3.1		14	635	62⅜	61⅞	62¼	+⅛
48⅛	28	UCmp s1.16	3.2		13	1606	36⅞	36⅛	36¾	+⅝
32½	16½	UCarb 1.50	5.9		14	8283	25⅝	24½	25¼	+⅝

Sales figures are unofficial. Yearly highs and lows reflect the previous 52 weeks plus the current week, but not the latest trading day. Where a split or stock dividend amounting to 25 per cent or more has been paid, the year's high-low range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividends are annual disbursements based on the latest declaration.

... sales. t-dividend paid in stock in preceding 12 months, estimated cash value on ex-dividend or ex-distribution date. u-new yearly high. v-trading halted. vi-in bankruptcy or receivership or being reorganised under the Bankruptcy Act, or securities assumed by such companies. wd-distributed. wi-when issued. ww-with warrants. x-ex-dividend or ex-rights. xdis-ex-distribution. xw-without warrants. y-ex-dividend and sales in full. yld-yield. z-sales in full.

AMEX COMPOSITE PRICES

Prices at 3pm, March 9

OVER-THE-COUNTER

Nasdaq national market, 2.30pm prices

Continued on Page 39

AMERICA

Caution over recent large rises keeps Dow in check

Wall Street

CAUTION towards current post-crash highs was again in evidence yesterday and the Dow Jones Industrial Average moved very little from Tuesday's close, *writes Janet Bush in New York.*

At 2pm, the Dow stood down 4.31 points at 2,076.76, little changed from Tuesday's 2,081.07, the highest close since last October's share price collapse.

By midsession, about 125m shares had changed hands suggesting that the full session would see considerably lower volume than Tuesday when nearly 240m shares were traded.

Tuesday's rally was all the more encouraging because it came in active trading, underscoring a growing optimism in the market. The most positive aspects of current trading, according to share analysts, are the re-emergence of institutional interest and a palpable caution about bidding the market up too fast.

This, they say, provides the ingredients for a more prolonged and sustainable rally.

Price gains remain concentrated in stocks involved in takeover situations or the subject of takeover rumours, and yesterday saw blue chips generally rather weak.

In the absence of fresh data on the economy, the US Treasury bond market continued to drift slightly lower and is expected to trade in the current narrow range at least until tomorrow's release of retail sales and producer prices figures. The dollar was stable after its bout of weakness earlier this week, as funds poured into sterling, and exerted little influence on bonds.

The Treasury's 30-year 8.875 per cent benchmark issue stood 1/16 point lower at midsession to yield 8.53 per cent.

Among blue chip equities, International Business Machines eased $¼ to $117⅞, Procter & Gamble lost $¼ to $82 and General Electric was $⅛ lower at midsession at $44⅞.

One of the best performers was Imreg, a small biotechnology company, which said one of its drugs had reduced the progression to fully-fledged AIDS in patients with early symptoms of the disease. The company, which had risen $2⅝ by midsession to $16⅞, declined to release details of test results pending application to the Food and Drug Administration for a licence.

Bear Stearns gained $1⅛ to $15⅝ after news that Jardine Strategic Holdings of Hong Kong was setting up a standby credit line of about $256m, which fuelled speculation that Jardine could use the funds to buy Bear Stearns stock. Jardine shelved plans to acquire a 20 per cent stake in the securities company after the October stock market collapse. Bear Stearns had no comment on the Jardine action.

Walt Disney rose $⅞ to $63 after Kidder Peabody boosted its investment rating for the company and Drexel Burnham Lambert raised its earnings estimates. Walt Disney yesterday filed infringement actions against several retail outlets in New York which it charged were unauthorised to sell and distribute toy telephones which look like Mickey Mouse.

American Standard rose $⅝ to $73⅝. The company said late on Tuesday that it planned talks with Black & Decker, which has made a hostile takeover offer of $73 a share, and with other potential buyers. However, Black & Decker yesterday said no talks were underway.

Unisys fell $⅛ to $36⅛ in spite of news that its Unisys Defense Systems subsidiary had received three contracts from the Defense Communications Agency worth more than $36m.

Grumman, the military aircraft manufacturer, added $⅛ to $19⅞. It said it would lay off about 700 employees because of reduced aircraft engineering and manufacturing work. Coupled with normal attrition, total jobs in the company will drop by about 2,600 this year.

USG fell $1⅝ to $36⅞ after news its directors had formally urged shareholders to reject a $42-a-share tender offer launched by Desert Partners last week.

Manhattan Industries, the clothing manufacturer and retailer, fell $⅝ to $17⅛. The company said it was in talks with jeans manufacturer Salant about a possible joint business venture. Salant's stock rose $⅝ to $9⅞.

Canada

GOLD issues led Toronto share prices higher across the board in active midday trading.

The composite index rose 30.8 to 3,334.5 as advances outpaced declines by 428 to 213 on turnover of 15.1m shares.

In golds, Lac Minerals rose C$⅛ to C$13⅞, International Corona advanced C$⅝ to C$8¼, Placer Dome gained C$⅝ to C$16½ and Echo Bay was up C$⅝ to C$26⅞.

Base metal issues were mostly higher, with Noranda firming C$⅛ to C$23⅞.

ASIA

Nikkei rebounds as Asia shows strong gains

Tokyo

BUYING interest centred on steels, shipbuildings and other large-capitals in Tokyo yesterday, driving share prices higher for the first time in three trading days, *writes Shigeo Nishiwaki of Jiji Press.*

The Nikkei average ended 139.66 points higher at 25,605.39. The day's high was 25,620.78 against a low of 25,478.35. Volume swelled to 1.42bn shares from Tuesday's 828m and advances led losses by 508 to 405, with 153 issues unchanged.

Strong buying enthusiasm was sparked by the post-crash high reached on Wall Street overnight. Institutional investors, who had been acting cautiously, began to place relatively large buy orders for large-capital stocks.

Nippon Kokan topped the active list with 147.99m shares changing hands and rose Y10 to Y388. Ishikawajima-Harima Heavy Industries, second busiest with 95.55m shares traded, climbed Y28 to Y805.

Kawasaki Steel and Kawasaki Heavy Industries ended Y13 and Y9 ahead at record highs of Y391 and Y349 respectively, while Nippon Steel, third most active with 89.85m shares, rose Y8 to Y444.

Large-capital stocks accounted for eight of the 10 most active stocks. The volume of the 10 most active stocks reached a ratio to total trading volume of 51.1 per cent.

Heavy electricals also came into the spotlight, with Toshiba adding Y30 to Y778 and Hitachi Y50 to Y1,390.

Matsushita Electric Industrial advanced Y60 to Y2,580, but buying interest in other high-technology stocks was not as strong. NEC and Canon finished Y10 and Y20 higher at Y2,100 and Y1,140 respectively, while Sony closed unchanged at Y5,250. NTT gained Y10,000 to Y2.44m.

Chujitsuya, the supermarket chain, soared Y280 on reports that an unidentified investor group held more than 20 per cent of its outstanding shares, but it fell back to close Y20 higher at Y4,020. Nagasakiya closed Y120 higher at Y2,890 after briefly gaining Y210.

Bridgestone shed Y40 to Y1,330, depressed by news that Pirelli, the Italian tyre maker, had launched a takeover bid for Firestone of the US. Bridgestone agreed with Firestone last month to buy the US company's tyre division.

Bond prices continued to fall in thin trading, affected by dealers' small-lot selling for position adjustment. Dealers were becoming increasingly concerned about US trade figures for January to be released on March 17.

The yield on the benchmark 5.0 per cent government bond, maturing in December 1997, ended at 4.480 per cent against 4.445 per cent at Tuesday's close.

Osaka Securities Exchange share prices also rebounded, supported by strong buying of large-capital stocks.

The 250-issue OSE stock average ended 78.48 points higher at 25,985.70 on an estimated volume of 209m shares, up 77m from Tuesday.

Osaka Soda drew brisk buying, adding Y130 to Y1,700, while Ono Pharmaceutical surged Y140 to Y6,990, but Nintendo fell further, losing Y120 to Y9,100.

Hong Kong

INSTITUTIONAL investors returned to the market in force for the first time since Black Monday, pushing prices to a post-crash high.

Turnover was the heaviest since November 13, at HK$1.59bn compared with HK$939m on Tuesday, and the Hang Seng index ended the day up 58.43 at 2,551.76. The day's rise was the largest since mid-January.

Sentiment was boosted by the previous strong gain on Wall Street and the perception that Hong Kong share prices were undervalued compared with other markets. Good corporate results expected over the next few weeks also helped fuel optimism.

Among blue chips, property shares were particularly popular. Cheung Kong added 30 cents to HK$7.50 and Hutchison ended up 15 cents at HK$8.50.

Australia

STRONG demand for industrial stocks in most sectors helped push prices to a high for the year, with the All Ordinaries index adding 24.6 to 1,341.

Demand was fuelled by the strong Australian dollar and the gains on Wall Street. Most stocks ended on their highs and sellers were scarce. The mining index rose 9.7 to 637.4.

Market leader BHP added 16 cents to A$7.10, while News Corp ended up 40 cents at A$12.30.

Gold stocks were mostly higher despite the $2 overnight drop in bullion prices to $435.40 an ounce.

Singapore

RENEWED INTEREST in blue chips and bargain hunting helped boost share prices and turnover, with investors also encouraged by rises in New York and Tokyo.

The Singapore Straits Times index rose 14.74 to 932.33. Turnover jumped to 32m shares from 18.6m.

Record year-end profits for Development Bank of Singapore and its plans for a one-for-five issue added to bullish sentiment. DBS rose 30 cents to S$10.70 on volume of over 1m shares.

Expectations of good results also boosted Overseas Chinese Banking, up 10 cents at S$6.70, and UOB, which gained 12 cents to S$4.90.

SOUTH AFRICA

LOCAL AND international demand for gold stocks and a steady bullion price pushed shares higher, but volume was limited by a shortage of stock.

Among major gold issues, Vaal Reefs rose R14 to R265, Randfontein gained R6 to R226 and Driefontein was up R1.25 at R33.25.

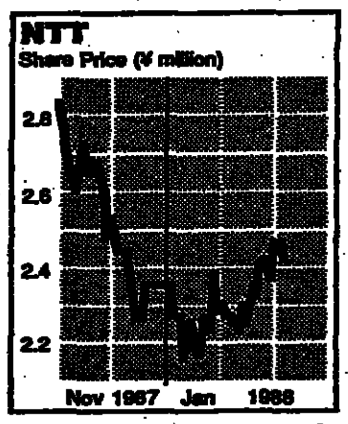
Insurance company Liberty Life Association of Africa rose R6.50 to R110 after releasing a sharp profits gain for 1987.

Small investors become net sellers in Japan following post-crash buying spree

Tokyo tests individuals' tenacity

SMALL Japanese investors, who astonished the institutions by rushing to buy shares in the wake of the October crash, have recently been questioning whether the stock market is such a safe bet after all, *writes Shigeo Nishiwaki of Jiji Press.*

Net purchases of shares by individuals reached a record Y698.5bn in October, with Y650.8bn of the total bought in the week of Black Monday alone. The buying spree was likened by one broker to the scramble at annual department stores sales, and some fund managers described as reckless, blaming securities houses for encouraging it.



November then saw heavy demand for the Government's second public sale of shares in Nippon Telegraph and Telephone, although individuals' net purchases of shares overall dipped sharply to Y37.9bn.

By December, individuals were net sellers, with sales exceeding purchases by Y532.5bn. The following month net sales were Y280.4bn. And even last month, when the market staged a surprise 13-day rally, sales surpassed purchases by Y93.5bn.

A tenacious faith has clearly been shaken. The November sale of 19.5m NTT shares at a mammoth Y2.55m each had swelled the number of private shareholders in the telecommunications company to nearly 1m. The public had flocked to buy - in spite of the global crash - encouraged by the success of the first public share sale in February of last year and in the belief that the Government would safeguard shareholders against losses.

The share price was expected to jump to Y3m by the end of this year and to Y4m next year. *Instead, it has fallen sharply,* and by early January was down 21 per cent at Y2.01m. Although the price has since started to bounce back – closing at Y2.44m yesterday – *securities houses are finding* it difficult to revive individuals' interest in the market.

That could change after April 1, when the *maruyu* system of *tax relief on personal savings* accounts will be abolished for certain key categories of depositors. More than $2 trillion (million million) total is held in such accounts and some of *it could* move across into equities. Shares should also benefit from the growth in pension funds and the gradual easing of restrictions on share investment by pension funds and life assurance companies.

There has, of course, already been a significant shift into the stock market over the past few years.

The number of individual shareholders is now about 7.55m, or 6 per cent of a population of 122m. Shareholders range from young female office workers to pensioners, but research shows most are likely to be middle-aged individuals with large savings, such as managers of small or medium-sized companies.

Many individuals were lured into investment by the long bull market, when the Nikkei stock average showed double-digit increases for five consecutive years from 1983.

The trend picked up with the *first public sale* of 1.95m NTT shares at Y1.197m a share. Subscribers totalled 10.58m and the market price soared to a immediate high of Y3.18m.

EUROPE

Growing optimism fuels new highs

THE BUOYANT tone in some European bourses proved infectious yesterday as shares in the Netherlands and Spain pushed to new 1988 highs and French and Swiss stocks rose strongly, *writes Our Markets Staff.*

Takeover news fuelled Sweden, but Belgium turned mixed after its surge on Tuesday and West Germany remained dull.

AMSTERDAM was boosted by positive company news, takeover rumours and covering of short positions opened last Friday when the market fell back after two weeks of gains.

The all-share trend index added 1.6 to a record for the year of 82.7 in fairly active turnover.

Royal Dutch benefited from a rise in the share price of Shell in London, adding Fl 2.50 to Fl 216.70 on expectations of a bounce in the oil price. This helped pull the market higher, although Unilever edged down 20 cents to Fl 116.40.

Publishers were lifted by VNU's strong profits rise and increased dividend. VNU rose Fl 3, or 4.4 per cent, to Fl 70.50.

Takeover rumours kept up the momentum in the bank and insurance sector as NMB, a recent target of bid speculation, climbed Fl 5 to Fl 159.50 amid fresh talk that insurer Amev would take a stake in it. Amev was Fl 1.20 higher at Fl 53.30.

MADRID edged ahead to a new high for 1988 despite fairly thin trading as recent interest rate cuts and merger speculation in the banking sector continued to attract domestic as well as foreign institutions.

The index added 1.11 to 267.82 to give the market a 9 per cent rise over the past month.

Banks, which have been active on speculation of a deal involving Central and Hispano Americano, ended little changed to higher.

ZURICH was led higher by good gains in banks despite a lack of impetus other than Wall Street gains and a slightly stronger dollar. The Crédit Suisse index rose 3.6 to 464.9 on some fairly big buy orders.

One analyst said fundamentals had not changed and prices were being pushed up partly because cautious traders were restricting the amount of shares they were prepared to deal in.

In the banking sector, UBS bearer was SFr50 higher at SFr3,350 and Swiss Bank was up a strong SFr14, or nearly 4 per cent, at SFr378.

PARIS was buoyed by better-than-expected trade figures for January and expectations of healthy corporate results.

The CAC index added 2.1 to 298.2, helped also by strong overnight gains in New York and Tokyo. Volume was estimated to be much higher than the FFr780m recorded on Tuesday, *boosted by active buying by domestic institutions.*

The market's technical position is good, with stocks fairly valued and liquidity healthy, according to one analyst. But underlying concern about the political situation would continue to keep a rein on any rises, he added.

Steel tubes producer Vallourec was one of the day's biggest movers, adding FFr7.20, or 12 per cent, to FFr65 following a favourable broker's report.

STOCKHOLM was set alight by speculation of a bid involving Swedish Match and Stora and ended the day higher in active trading. Good corporate results also helped sentiment and the Affaersvaerlden index added 6.7 to 790.9.

Bid rumours were fuelled by the suspension of Stora, Swedish Match having been suspended on Tuesday. But investors had to wait until the market closed for confirmation, with Stora announcing an agreed SKr5.9bn cash bid for Swedish Match.

Both companies are part of the Wallenberg family group and the bid is good news for the bourse, says Mr Nigel Yendell, research chief at Enskilda Securities. "The combination of these two companies should have a good effect because it focuses attention on takeovers in Sweden," he said. The offer would boost the market's liquidity, he added.

There were good results yesterday from Stora, Euroc, and SCA, with SCA adding SKr4 to SKr330. Investor, an investment group which owns a large stake in Swedish Match, rose SKr12, or 5 per cent, to SKr242.

FRANKFURT was little changed in thin trading of less than DM2bn with a continued absence of foreign investors. The FAZ index eased 0.19 to 456.31.

Strong speculation that the Government will sell its remaining stake in VW this month continued to worry the market yesterday, together with rumours of a further partial flotation of metals group Viag.

Retailers performed best, with Horten up DM9.50 at DM190.50.

MILAN rose slightly for a second day as the technical upturn continued. The MIB index rose 0.1 per cent to 1,028.

Interest again focused on stocks in Mr Carlo De Benedetti's group. Amid rumours that Mr Benedetti might sell Buitoni to help finance his bid for Société Générale de Belgique, the food and pasta company jumped 5.8 per cent to L8,599, but fell back to L8,690 after the session.

Standa, the supermarket chain, gained L140 to L13,750 on reports that state holding IRI was considering buying it.

BRUSSELS closed mixed as the frantic buying of recent sessions slowed, although gains still outnumbered losses. The Brussels index rose 21.48 to 5,043.16.

GB-Inno, Belgium's leading supermarket chain, remained active with 273,000 shares changing hands, but below its recent levels. Monday's sharp gains, following rumours of a buyer for the retailer, were further eroded and the stock closed down BFr140 at BFr1,460. Retail stock Delhaize, which made sharp gains on Tuesday, fell BFr110 to BFr4,320.

Trading in Société Générale de Belgique was slow, with volume of only 7,991 shares. The holding company's Réserve shares were traded on the cash market at BFr8,000, down BFr50. The stock remains suspended on the main forward market.

London

EARLY gains in blue chip stocks were hit by the pound's renewed advance although the London market found some comfort yesterday in Mrs Thatcher's statement of official sterling policy.

The FT-SE 100 index lost 0.3 to 1,815.3 in relatively good turnover.

FT – ACTUARIES WORLD INDICES

Jointly compiled by the Financial Times, Goldman, Sachs & Co., and Wood Mackenzie & Co. Ltd., in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS	TUESDAY MARCH 8 1988					MONDAY MARCH 7 1988			DOLLAR INDEX		
Figures in parentheses show number of stocks per grouping	US Dollar Index	Day's Change %	Pound Sterling Index	Local Currency Index	Gross Div. Yield	US Dollar Index	Pound Sterling Index	Local Currency Index	1987/88 High	1987/88 Low	Year ago (approx)
Australia (91)	106.82	-0.5	85.95	97.37	4.33	107.35	87.52	97.85	180.81	85.36	112.71
Austria (16)	90.41	+1.2	72.75	78.11	2.68	89.36	72.85	77.78	102.87	84.35	94.23
Belgium (48)	138.40	+0.7	111.36	119.46	4.00	137.45	112.06	118.97	138.40	94.63	113.27
Canada (126)	120.30	+1.1	96.80	109.19	3.01	118.94	96.97	108.17	141.78	98.15	123.62
Denmark (38)	121.29	+0.0	97.60	105.04	2.80	121.34	98.92	105.66	124.83	98.18	110.07
Finland (23)	118.51	+0.0	95.36	100.27	1.98	118.48	96.60	100.61	–	–	–
France (122)	85.60	-0.3	68.88	75.86	4.09	85.88	70.02	76.45	121.82	72.77	112.73
West Germany (94)	78.79	+0.7	63.40	68.32	2.71	78.24	63.79	68.20	104.93	67.78	88.95
Hong Kong (46)	96.99	+1.0	78.04	97.12	4.37	96.02	78.28	96.14	158.68	73.92	107.63
Ireland (14)	118.72	+0.7	95.53	104.26	4.21	117.87	96.10	104.23	160.22	93.50	124.78
Italy (94)	75.67	+2.3	60.89	69.60	2.77	73.96	60.30	68.30	112.11	62.99	95.72
Japan (457)	162.48	-0.7	130.74	131.51	0.53	163.67	133.43	132.53	163.67	100.00	120.56
Malaysia (36)	115.04	+0.2	92.57	113.53	3.35	114.84	93.63	113.87	193.64	93.76	134.84
Mexico (14)	170.75	-3.0	137.39	424.71	0.84	176.05	143.53	437.91	422.59	90.07	126.98
Netherland (37)	105.86	+2.2	85.18	90.50	5.03	103.55	84.42	89.00	131.41	87.70	105.67
New Zealand (23)	72.90	+1.0	58.66	57.73	5.64	72.17	58.84	57.46	138.99	64.42	93.85
Norway (24)	111.05	-1.2	89.35	95.11	3.21	112.42	91.65	96.32	185.01	95.51	118.08
Singapore (26)	108.20	+0.3	87.07	100.40	2.39	107.89	87.96	100.09	174.28	81.21	118.68
South Africa (61)	132.00	+5.0	106.21	78.52	5.34	125.74	102.51	77.43	198.09	100.00	125.42
Spain (43)	146.50	+0.3	117.89	124.08	3.38	146.04	119.06	124.35	168.81	100.00	112.89
Sweden (32)	114.89	-0.2	92.45	100.60	2.70	115.08	93.82	101.45	136.64	88.50	109.21
Switzerland (53)	85.22	-0.6	68.57	72.75	2.33	85.77	69.92	73.59	111.11	73.65	96.05
United Kingdom (327)	138.39	+1.1	111.36	111.36	4.27	136.89	111.61	111.61	162.87	99.65	126.86
USA (585)	109.89	+0.7	88.42	109.89	3.43	109.12	88.96	109.12	137.42	91.21	120.02
Europe (965)	108.92	+0.9	87.64	91.64	3.78	107.97	88.02	91.64	130.02	92.25	110.10
Pacific Basin (679)	157.71	-0.7	126.90	128.76	0.72	158.80	129.46	129.70	158.80	100.00	119.75
Euro-Pacific (1644)	138.21	-0.2	111.21	113.98	1.69	138.48	112.90	114.55	143.65	100.00	115.91
North America (711)	110.44	+0.7	88.87	109.87	3.41	109.64	89.39	109.08	137.55	91.68	120.21
Europe Ex. UK (638)	90.65	+0.7	72.94	79.23	3.33	90.03	73.40	79.07	111.97	78.89	99.73
Pacific Ex. Japan (222)	100.24	+0.2	80.66	93.41	4.30	100.09	81.60	93.30	164.03	82.92	109.85
World Ex. US (1845)	137.56	-0.1	110.69	113.57	1.76	137.71	112.27	114.07	143.38	100.00	116.30
World Ex. UK (2103)	125.73	+0.1	101.17	112.35	2.11	125.66	102.44	112.40	138.82	100.00	116.88
World Ex. So. Af. (2369)	126.81	+0.1	102.04	112.50	2.30	126.65	103.25	112.58	139.47	100.00	117.71
World Ex. Japan (1973)	109.77	+0.8	88.33	102.50	3.59	108.90	88.78	102.04	134.22	92.98	116.43
The World Index (2430)	126.85	+0.2	102.07	112.25	2.32	126.64	103.25	112.32	139.73	100.00	117.76

Base values: Dec 31, 1986 = 100; Finland: Dec 31, 1987 = 115.037 (US $ Index), 90.791 (Pound Sterling) and 94.94 (Local).

Latest prices were unavailable for this edition.

SECTION III

FINANCIAL TIMES SURVEY

Financial Futures and Options

CONTENTS

☐ *Picture: The Chicago Mercantile Exchange*

The role played by futures markets, and in particular by programmed trading, in the October crash has come under intense scrutiny. Euromarkets Editor **Alexander Nicoll** predicts an uncertain period for futures exchanges as the lessons continue to be absorbed.

A pendulum over the pit

THE EFFECTS of futures and options markets have been a subject of controversy for over a hundred years. But never have they come under such intense scrutiny as in the examination of the October 1987 stock market crash.

Much of the initial debate was simplistic. Desperately flailing in search of a culprit, New York and Chicago – the centres of the stock and futures markets respectively – revived age-old mud-slinging. But the discussion has been considerably deepened by publication of some weighty reports.

The crash raised vital questions for what has been a very fast-growing industry in derivative products: instruments such as futures and options which are based on underlying markets in shares, bonds or currencies, as well as raw materials.

How efficiently did the markets perform their functions? Did they exacerbate the fall in share prices? Should they be more tightly regulated? What are their prospects for growth now? And what are the implications for the developing international business in futures and options?

These questions overshadow the world's futures and options community as it meets today in Boca Raton, Florida, for the Futures Industry Association's annual conference. They are important even though only one section of the markets – that in contracts based on stock market indices and stocks – was directly affected. Government bond and currency futures business has continued to grow.

And though they mainly concern the US, because it has the largest derivative markets and those most interwoven with the underlying "cash" markets, there were lessons to be learned elsewhere too. Hong Kong's futures exchange was exposed as having grossly inadequate capital backing and almost no supervision.

US exchanges have made much of the fact that they continued to provide a marketplace for most of the crucial period on and after October 19 – though all stock index contracts except the Chicago Board of Trade's did stop trading briefly on October 20.

However, it is clear that the exchanges did not provide the sort of market that users expected. This was partly due to the unrealistic expectations of users; and partly to structural deficiencies which will have to be remedied.

The Securities and Exchange Commission, in its huge report, says the index futures markets had taken on a "price discovery" role which had not been anticipated when they were invented. Due to the linkages between the stock and futures markets, "the futures market has become the market of choice for many institutions that trade actively."

One of the ways in which those institutions were using the market was through "portfolio insurance" – a misnamed strategy which involves protecting an equity portfolio by selling stock index futures as the stock market falls, following the dictates of computer programmes. Some $60 to $80bn of institutional portfolios were "covered" by this strategy, and as the market fell the computers triggered massive sell orders in stock index futures.

The strategy was based on the assumption, however, that such sales could be made at the prevailing market level and without affecting it. The SEC finds that some institutional traders using futures "believed they could increase or decrease market exposure virtually instantaneously, with little market or liquidity costs."

It is doubtful whether any market could have provided such liquidity. In fact, only a small proportion of the computer-triggered sell orders could be accomplished, and many institutions switched to direct selling in the stock market.

These were the unrealistic expectations of futures markets. Otherwise, they functioned and recorded very high volumes which were cleared efficiently.

Options markets, however, had more serious problems. There were long halts in trading. Both the Presidential Task Force headed by Nicholas Brady and the SEC found pricing problems and poor market making. The SEC called for:

- A review of rules allowing index options to begin trading before the underlying securities.
- Faster opening "rotations" on the Chicago Board Options Exchange (these took excessively long and prevented "free" trading); and new procedures for listing of options series (those listed on screens could not keep pace with the market).
- A study of market makers to determine "whether they met their obligations to maintain, to the maximum extent possible, fair and orderly markets."

These are strictures which exchanges will have to take to heart. Much more nebulous and tinged with politics, however, is discussion of the role which futures market activity played in the share price fall.

The SEC says trading strategies using futures have increased the velocity and concentration of stock trading, imposed greater risks on stock market specialists – firms charged with maintaining a market in individual stocks – and strained their ability to provide liquidity. The result has been to increase volatility, it says.

Though futures did not cause the crash, the SEC finds that "the existence of futures on stock indices and the use of various strategies involving "program trading" were a significant factor in accelerating and exacerbating the decline." (Program trading involves trading baskets of stocks as triggered by computer programs, done in strategies such as arbitrage between stock and futures markets, and in portfolio insurance.)

It suggests higher futures margin payments – the money put down by traders as security deposits. These are much lower in futures than in the stock market, though the common assertion that they are 10 and 50 per cent respectively is a gross over-simplification.

However, even the SEC, which wants to extend its role to supervise futures markets, hedges this recommendation with caveats. It is also not keen on limits on market movements.

The Brady report, of which the recommendations seem unlikely to carry too much political weight, was far more certain. It called for unified regulation, consistent margining across stock and futures markets, and "circuit-breakers" such as price limits.

The weakness of the Brady report was that its vivid and detailed description of what happened was not closely linked with its recommendations. Most remarkable was its advocacy of a unified clearing system, a suggestion which has met widespread support.

This is despite the fact that there were no clearing problems during the crash, only unfulfilled rumours of such problems. Moreover, there are widely differing approaches to clearing mechanisms in the US, as well as to the guaranteeing of and charging for clearing. Imposition of a unified system seems virtually impracticable, legally questionable, and would remove the quintessentially American element of competition.

Whatever their link with the actual events of October, however, debates on who is to regulate, on margins, price limits, and clearing will rumble on in Congress. In this context, the US futures industry is probably fortunate in having an eloquent chief regulator in Wendy Gramm, who is well-viewed in Congress. She has just been confirmed as chairman of the Commodity Futures Trading Commission and is unlikely to favour a diminution of its role.

Contained within the report on the crash is a realisation that futures are an integral part of the stock market – a phenomenon which has been increasingly obvious particularly in government bond futures markets around the world. The SEC acknowledges, for example, that "derivative index markets provide valuable hedging and market timing benefits to institutions."

Even if the industry escapes the political onslaught without tough new regulation, it has been dealt a blow. Many exchange seats were sold. Volume in stock-related contracts has slumped. Strategies which use futures – especially portfolio insurance – are being re-examined, as well as riskier uses of options. The liquidity and practices of the markets have been called into question.

Indeed, some houses have abandoned stock index arbitrage purely because it has become politically unpopular, and even though some studies indicate that if arbitrage had worked better during the crash, price falls might have been smoothed. Nevertheless, it remains an important contributor to stock market liquidity.

The retrenchment of business in this field – though other futures markets remain buoyant – is likely to concentrate the minds of many firms involved in the futures markets, already under severe pressure to reduce overheads as a result of the downturn in the markets.

And it is not as though the futures industry was not facing tough challenges before the crash.

In particular, established exchanges are increasingly threatened by off-exchange business. This, in turn, is fostered by the domination of financial futures markets by non-traditional futures houses: commercial and investment banks. They have no sentimental attachment to the Chicago pits and open outcry trading methods. They are ready to trade on any market that meets their needs.

Since these users have also been pursuing a strategy of globalisation of financial markets,

Continued on page 8

Take advantage of Futures and Options with the Chase Building Block approach

Futures and Options are not as difficult as they seem

Futures and options are sometimes thought of as dangerous, speculative financial instruments. Yet their use in the markets is spreading. Indeed, market participants often seem to add to the confusion by putting their own brand names on the instruments, so that each one may be known by four or five quite different names. A good way to beat the confusion is to copy our own children and to think of the instruments as being made from a few simple building blocks, just as our children make model castles, bridges, aircraft and so on from quite a small range of simple blocks.

Chase's building-block approach

To illustrate this, consider the case of an importer with a dollar obligation. The stronger the dollar, the greater the sterling cost of that obligation and the worse the importer's results. This is illustrated in figure 1. The left-hand

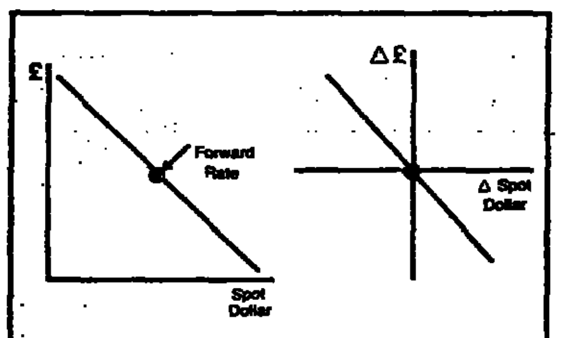


Fig 1

side of the figure shows the range of possible results as a function of the spot exchange rate on the day the obligation falls due; while the right-hand side centres the picture on the forward exchange rate relating to the day the obligation falls due and shows the impact on the importer's results of any deviation between the forward rate and the actual spot rate seen on the day in question.

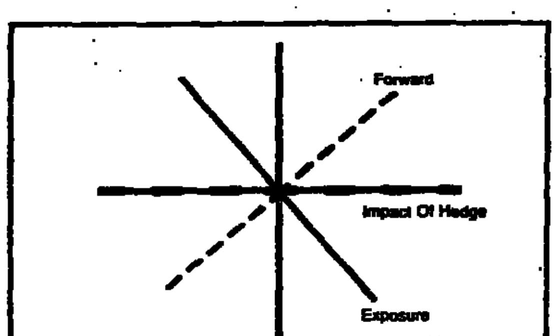


Fig 2

Now let's think of one of the oldest instruments of all — the ordinary currency forward contract. Hedging the currency exposure (the solid line in figure 2) with a forward contract (the dotted line) locks in a rate of exchange and so eliminates (as shown by the horizontal broken line) the exposure by guaranteeing the value of the currency whatever the actual spot turns out to be. Fine if the spot turns out to be worse than the forward. Not so fine if the spot turns out to be better.

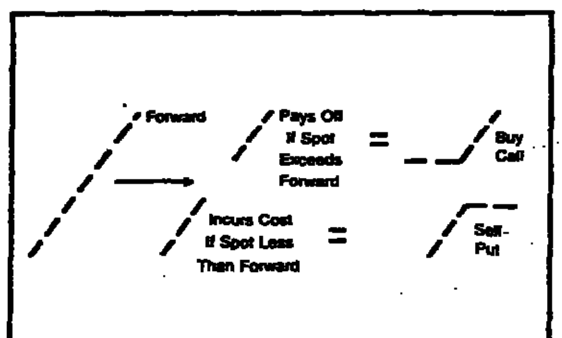


Fig 3

Now let's think of that currency forward as a solid building block and cut it in half as in figure 3. We have then produced a call option on the currency minus a put option. (The put-call parity theorem shows that to buy a call option and write a put option, each with an exercise price equal to the forward rate, is equivalent to buying a forward contract.) Using the call option gives protection against an adverse exchange rate movement. So far so good but the price is relatively high, as shown in figure 4.

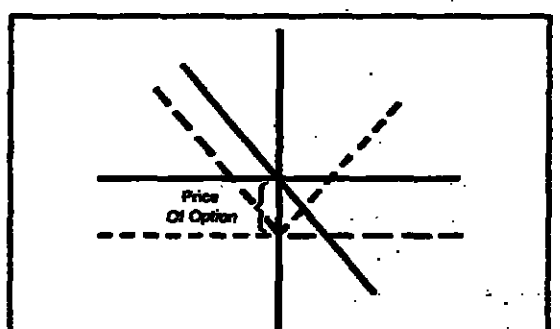


Fig 4

Now let's make the call option cheaper by raising its exercise price. Its buyer now gains more from a favourable movement in the exchange rate but must accept the possibility of a greater loss should the exchange rate move unfavourably (figure 5.)

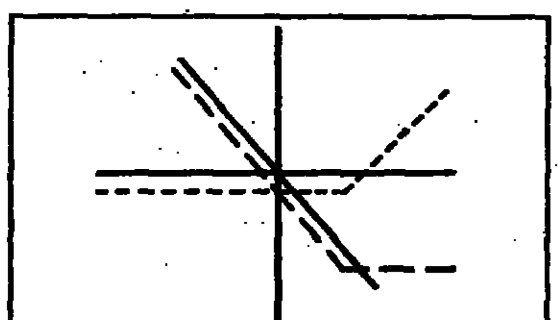


Fig 5

Now let's take both halves of the forward block — the put and call options — and buy a call and sell a put with exercise prices chosen so that the two options have equal value. We now have an instrument with several 'proprietory' names — the range forward, the zero-cost option, the collar, the

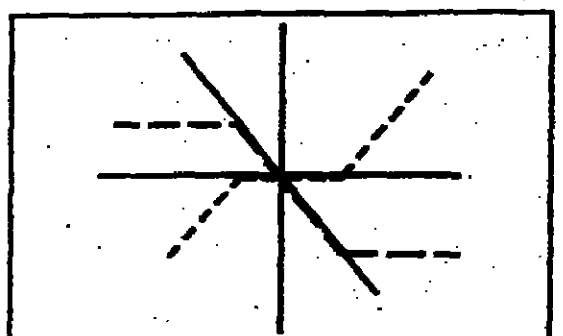


Fig 6

floor-ceiling swap, the cylinder etc. etc.. This instrument, which often involves no cash outlay, removes all the downside exposure beyond a predetermined point (determined by the exercise price of the call option) and pays for its removal by removing all the upside exposure beyond a different point (determined by the exercise price of the put option). In the middle range the exposure remains (figure 6).

Now take the same call option again and consider selling a put with the same exercise price and with the

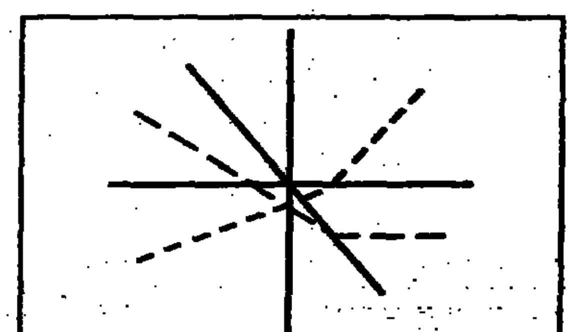


Fig 7

same value as the call. The call is out of the money and the put is in the money. Thus, pound for pound or dollar for dollar the put is more valuable than the call. To produce equal value, the put must be written on a smaller amount than the call.

This put-call combination, known as a participation or a profit-share option, involves no cash outlay yet gives protection against the downside while leaving a share (with no upper limit) in the upside (figure 7).

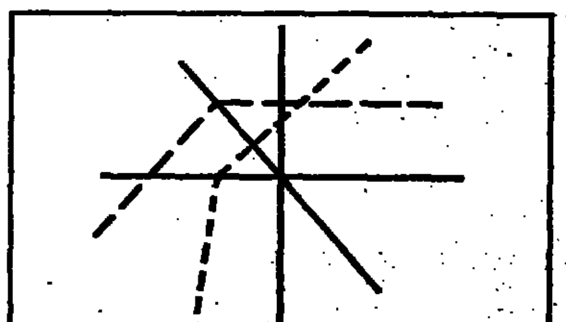


Fig 8

The list is endless. Want to lock in a rate better than the forward rate? Use a

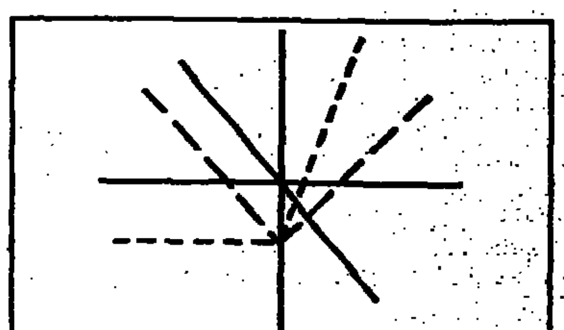


Fig 9

put-call combination known as a ratio forward (figure 8). Want to benefit from exchange rate fluctuations regardless of direction of movement? Double up on the calls to produce figure 9!

Using the building blocks

The building-block analogy can be carried over to other instruments and other markets.

Take a block called a ninety-day currency forward and cut it up into ninety one-day slices. It has been turned into a ninety-day currency future with its daily marking to market settlement process shown by the slices. Do just the reverse and stick several ninety-day forward blocks together. They have become a long-term currency swap.

Produce the blocks in a different colour and they become interest rate options (often called caps and floors) swaps, forwards (usually called FRAs) and futures.

Hence, each of the shapes shown above can be engineered for interest rate exposure just as they could for foreign exchange exposure.

Produce them in a third colour to give oil price hedging instruments, in yet another colour to give hedging instruments in a fourth market and so on.

Why not mix shapes and colours? An oil company may find it expensive to raise funds in today's market but by attaching options to pay interest in the form of a fixed quantity of oil it can make a dramatic reduction in its funding costs.

Other companies can halve their interest charges by issuing a bond with an option attached which is exercisable at maturity into that company's own shares.

These instruments are the building blocks for financial engineering. What your children can do in their make-believe world with their own building blocks you can do in the real life financial world with the real life financial building blocks now available. If your children can do it, so can you.

For further information on the building blocks of financial engineering call Nick Robinson on London 726 7240.

CHASE

THE OCTOBER CRASH . . . FT writers in the United States consider its implications for the futures industry . . . 1: The reports

Strategists were a factor but not the cause

STOCK INDEX arbitrage, portfolio insurance and programme trading, the umbrella word which covers these different strategies conducted largely in futures markets, have become the dirtiest of dirty words since the stock market collapse.

The Chicago futures pits have been at the centre of the finger-pointing storm that has raged over the last three months. In its own defence, the futures industry has resorted to mud-slinging against stock exchange floor specialists or market makers.

In the public perception at least, complex trading and hedging strategies through the futures market, used so extensively by large institutions, lay at the centre of October's chaotic markets. The views emerging from several weighty reports dissecting the crash and searching for the triggers that set it off, are much more equivocal.

One view has certainly emerged: that strategies such as stock index arbitrage and portfolio insurance – in which large institutions can effectively trade a basket of stocks representing the whole cash market quickly and relatively cheaply through the futures market – probably contributed to the speed of the decline on October 19. There are, nevertheless, few who suggest that these strategies caused the crash.

The two major and most objective reports were by the Securities and Exchange Commission, which regulates securities markets, and the review by the Brady Commission, the taskforce set up by President Reagan.

In the most long-sighted analysis of the role of the futures markets, the SEC describes three dramatic trends which have resulted from trading in derivative index products.

□ First, stock index futures have supplemented and often replaced the stock market as the "primary price discovery mechanism for stock price levels". In other words, stock prices in the cash equity market are determined more by what happens on the futures market than what happens on the actual New York Stock Exchange or American Stock Exchange.

The SEC adds: "Indeed, due to the linkages between the two markets (futures and cash), the futures market has become the market of choice for many institutions that trade actively."

□ Second, it says, the availability of futures markets has spawned institutional trading strategies that have greatly increased the velocity and concentration of stock trading.

□ Third, the resultant increase in index arbitrage and portfolio insurance trading in the stock market has increased the risks incurred by stock specialists, and strained their ability to provide liquidity to the market.

The SEC report concludes that no single factor – economic, structural or psychological – was responsible for the size and breadth of the October market break. Nevertheless, it says: "The existence of futures on stock indexes and use of the various strategies involving 'programme trading' were a significant factor in accelerating and exacerbating the decline."

It notes that, during certain critical trading periods, index arbitrage and/or portfolio insurance accounted for between 30 and 68 per cent of total New York Stock Exchange volume in the Standard & Poor's 500 stocks.

As well as direct effects, the SEC said futures and the use of derivative products on index-related trading strategies had a significant negative psychological impact. The knowledge of many market participants of the existence of active portfolio insurance strategy scared investors into pre-emptive selling and discouraged many others from buying.

The SEC differentiates between the impact of stock index arbitrage – a strategy which takes advantage of price differences between a basket of stocks traded on the futures market and their underlying stocks in the cash market – and portfolio insurance – a strategy which constantly shifts asset allocation in a portfolio, using mathematical formulae, to allow investors to insure against falling prices but still capture substantial returns when prices are rising.

Its report said that most of the programme trading on October 19 and 20 was not stock index arbitrage – which was made very difficult by trading halts, particularly in futures markets which disrupted the normal price relationships with the cash market – but portfolio insurance.

At the same time as suggesting various ideas and reforms to dampen down volatility (such as higher margins on derivative products and a specialist set-up on the NYSE specifically to trade stock baskets), the SEC says: "We continue to believe that derivative index markets provide valuable hedging and market timing benefits to institutions and, as a result, any changes to the regulation of those products must be effected with great care."

The central idea of the report on the crash by the Brady Commission was that futures, options and stock markets can no longer be thought of as separate.

This is a notion which has won widespread recognition within Congress, the securities industry and the various regulatory bodies, and there is overwhelming support for the Commission's call for a unified clearing and settlements system.

The main conclusion of this report is that the problems of mid-October could be traced to the failure of these "market segments" to act as one. Brady specifically points to what it believes was a misconception among portfolio insurers that it was possible to liquidate huge positions in the futures market without affecting price levels. This, the report says, was impossible. "The futures market simply could not absorb such selling pressure without dramatic price declines."

It also highlights the breakdown of structural mechanisms linking various markets. Unopened stocks, emergency trading halts and logjams of orders in various stock exchange systems all contributed to difficulties in executing transactions across futures and cash markets and the normal, balancing arbitrage failed. "As the markets became disengaged, a near freefall developed in both markets. Sellers put direct downward pressure on both markets."

The General Accounting Office, the government's independent watchdog, concluded that the crash had not been caused by any single factor but by a "confluence of macroeconomic, political, psychological and trading factors."

The office highlighted problems with the New York Stock Exchange's order execution capabilities, and urged that more steps be taken to improve these. It also suggested the SEC should reassess its overall supervisory role and its capability for evaluating automated systems.

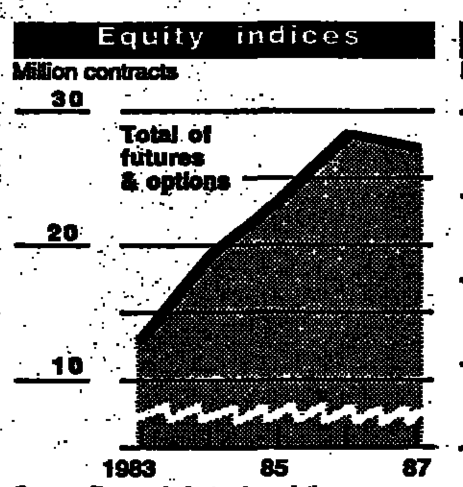
Mr Alan Greenspan, chairman of the US Federal Reserve, described the crash as an accident waiting to happen. He warned against placing blame on the futures market and the derivative products associated with them: "We must not jump to the conclusion that movements in futures prices by themselves cause movements in the cash market just because they frequently precede them. We must be careful to avoid confusing symptoms with causes."

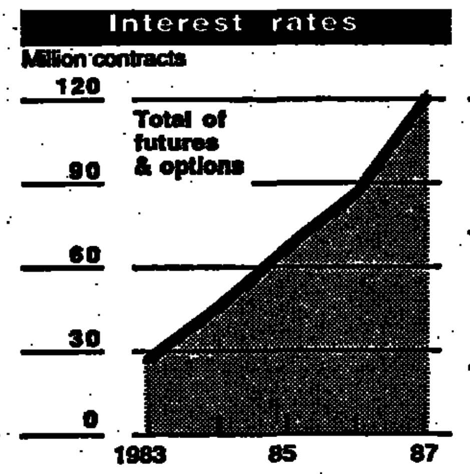
Other reports have been published by particular industry participants, such as the Commodity Futures Trading Commission and the New York Stock Exchange. Practically every major figure in the industry has also given testimony to the Senate Banking Committee, and there has been a good dose of defensive analysis as industry sectors stand up for their own performance.

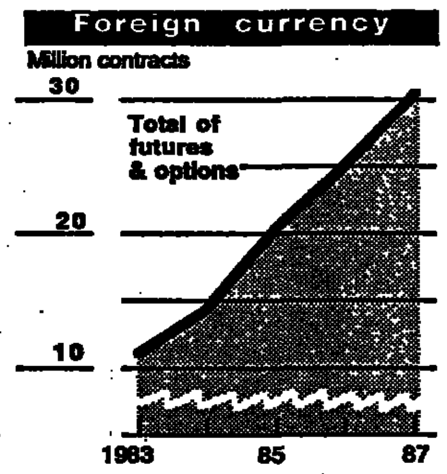
Mr Leo Melamed, chairman of the executive committee of the Chicago Mercantile Exchange, fiercely defended futures in testimony to the Senate Banking Committee: "No evidence since October has contradicted the CME's findings that its markets performed flawlessly. That the CME provided a pressure valve for a large number of investors to hedge their stock risks has been borne out by all the evidence."

He said the only truly independent reviews of the crash were the Brady Report, the GAO report and the Federal Reserve Board report.

Janet Bush







Source: Futures Industry Association

2: The regulatory impact

Brady sets framework for debate

MR NICHOLAS Brady, the Wall Street investment banker who led President Reagan's public inquiry into last October's stock market crash, can afford a long-suppressed smile.

Two months have passed since that torrid first press conference, when he was called upon to defend his inquiry's findings before 100 reporters jammed inside the White House press room. Then, the reactions ranged from sceptical to outright hostile, and many proclaimed that his proposals for market reform were so radical as to be unworkable.

Today, in the US, a more charitable view of the Brady Commission report has emerged. While there must be some doubt whether the US Congress will cast the key proposals into legislative reality this year, it is generally agreed that Brady has achieved his main goal: to set the framework for a sober political debate and to encourage the markets themselves to mend their ways.

Though tentatively expressed, the Brady Commission report offered three recommendations to curb the sort of market volatility which last October 19 saw the Dow Jones industrial index plunge 508 points, the day we now know as Black Monday.

The first concerned margins, the collateral or payments made by traders as security for purchases of financial assets. In the Chicago-based options and futures markets, where investors pay for the right to assets rather than the assets themselves, margins are as little as one fifth of those required in the New York stock market. Citing low margins as a contributor to high volatility, Brady proposed raising them in the futures and options markets.

His second recommendation concerned so-called "circuit breaker mechanisms", a euphemistic phrase for more controversial measures such as price limits or co-ordinated trading halts to control excessive market gyrations. Lastly, he proposed the creation of an intermarket agency to co-ordinate regulation in the financial system, and suggested that the Federal Reserve, the US central bank, was "well qualified" to take on the job.

In the days before the Brady report was made public, Washington and Wall Street engaged in the traditional game of pre-emptive leaks to the press. American newspapers published varying accounts of the report's alleged *dirigisme* and market meddling, and the word "radical" made a regular entry in the headlines. In a word, Brady was "mugged" before it had even hit the street.

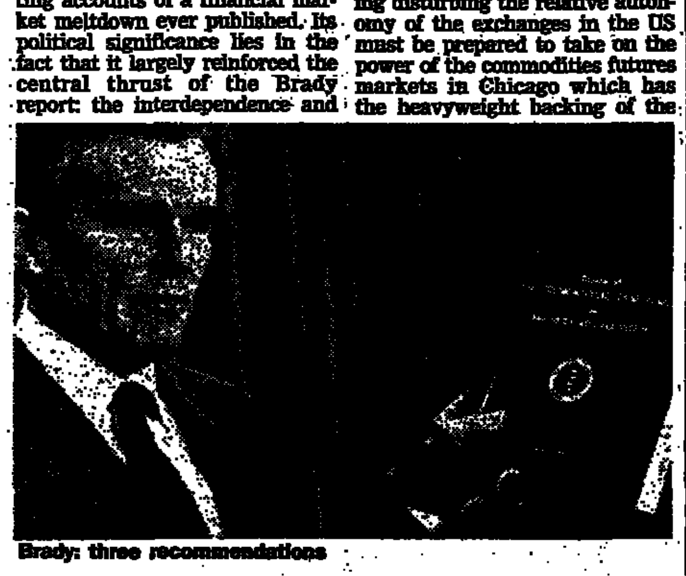
The balance began to shift in late January. Without much ado, the Wall Street investment bank Shearson Lehman Brothers took the lead in voluntarily giving up programme trading, the computerised process of offsetting purchases and sales of stocks and stock index futures which many believe exacerbates market volatility.

Other firms followed suit, prompting Shearson to buy horrendously high-cost advertising during this year's televised American Football Superbowl to let millions know it had ditched programme trading.

In a related move, the New York Stock Exchange announced experimental curbs on the use of its electronic order system, widely used for computerised programme trading, confirming the trend of the practitioners seeking to head off the politicians interested in regulatory reform.

By the time the Senate Banking Committee opened four days of preliminary hearings on the October crash in early February, it was clear that Mr Brady was not alone in calling for change in the public forum. Instead he was joined by such prominent witnesses as Mr Alan Greenspan, chairman of the Federal Reserve, and Mr David Ruder, chairman of the Securities and Exchange Commission, the main regulatory body for the securities markets, which coincidentally published its own, heavyweight tome on the Crash.

The SEC report ranks as one of the most gripping and illuminating accounts of a financial market meltdown ever published. Its political significance lies in the fact that it largely reinforced the central thrust of the Brady report: the interdependence and the internationalisation of the various markets – options, futures, securities, commodities – which creates one market and demands appropriate unified monitoring, co-ordination and, if necessary, supervision.



Brady: three recommendations

Mr William Proxmire, the Wisconsin Democrat who chairs the Senate Banking Committee, endorsed the unitarian message, as did several other leading Democrats in Congress.

Yet, as any Washington pundit will tell you, such political support alone is not enough to guarantee legislation in this, an election year.

The Fed, for example, is not keen on assuming the overarching supervisory role which Brady envisioned. As the guardian of monetary policy, it is already under attack from Republican loyalists who want to pressure it into an easy credit policy to secure a presidential election win in November. To take on further responsibilities could make it a more exposed political target.

Theoretical questions are equally paramount. Would an enhanced Fed role mean, as in banking, an extension of the Federal safety net? Would it encourage investors to take more risk? What is the Fed's policy on margins, given that, just two years ago, it was arguing that, if anything, cash market margins should be lowered to levels prevailing in the futures markets?

The SEC, by arguing for an enhanced supervisory role, has helped the Fed out of its foxhole. But it is far from clear whether, this year, lawmakers are prepared to contemplate the complex legislation required to restructure the financial markets.

The presidential and congressional elections are likely to stymie a legislative response this year. Put crudely, most lawmakers want to be out of Washington by mid-July, either to make the first party convention (the Democrats in Atlanta) or to hit the campaign trail for re-election.

Second, at least one key lawmaker, Mr Proxmire, is tied up in his own efforts to repeal the 1933 Glass-Steagall Act, the central pillar of US financial regulation which establishes the separation of banking and commerce and banned commercial banks from engaging in the securities business.

Third, lawmakers contemplating disturbing the relative autonomy of the exchanges in the US must be prepared to take on the power of the commodities futures markets in Chicago which has the heavyweight backing of the American agricultural lobby.

Senator Proxmire knows this better than anyone. Back in 1980, he launched a prescient campaign for the Fed to assume margin responsibility and for the SEC to take over the regulatory functions from the Commodity Futures Trading Commission (CFTC) in Chicago. He failed, mainly because of the agricultural interests in Congress; and his chief aide, Mr Ken McLean, says he is unlikely to lead another doomed assault this, his retirement, year.

Furthermore, the CFTC has made it quite clear it will resist regulation by the SEC or any other centralised agency. Ms Wendy Gramm (wife of the Texas Republican Senator who co-sponsored the budget balancing Gramm-Rudman-Hollings Bill), who is about to take up the top CFTC post, made it clear in congressional testimony that she will not countenance a secondary regulatory role.

The debate on market reform remains therefore in its early stages, and it is unlikely to have a legislative impact this year. Much will turn on the new President and the composition of the new Congress.

President Dick Gephardt – the populist Democrat congressman from Missouri, who is forging ahead at the moment – could favour substantial regulatory reform on Wall Street, if one believes his campaign rhetoric. On the Republican side, Vice President George Bush would certainly turn for advice to his old friend Mr Nicholas Brady. He might even make him US Treasury Secretary – in which case everyone should reach for their copies of the Brady Commission report and its recommendation.

Lionel Barber

3: Investors' attitudes

Portfolio insurance loses its appeal

THE FINANCIAL world has a way of conducting its own post-mortems and prescribing its own cures before the regulators and public opinion get in on the act.

Since the October share price collapse, the business of writing options, particularly for small investors who were hit so badly by a mixture of their own naivety and probably the unscrupulousness of some of their brokers, has slumped. The total of funds under portfolio insurance has dwindled to less than half that managed on the eve of October 19.

Several major US securities houses, including Shearson Lehman and its new partner E F Hutton, Goldman Sachs and Merrill Lynch, have stopped executing stock index arbitrage trades on their own accounts. Stock index arbitrage is a strategy in which an institution takes advantage of differences in price between stock indices on the futures market and their underlying cash stocks.

These houses were concerned about the intensifying criticism of programme trading – constituting stock index arbitrage and portfolio insurance – and plainly felt they needed to pre-empt moves in Congress towards new legislation and tighter regulation.

They were also genuinely worried about the absence of investors, which has become more and more glaring as the crash itself has faded into the middle distance. Volatility was cited as the main reason why investors were staying away; and volatility was exacerbated, according to official and independent reviews of the crash, by trading strategies conducted through the futures market.

To the small investor, who only participates in futures markets in any substantial way through his or her pension or mutual fund, they have always been regarded with a mixture of fear and loathing.

Many of the complex investment and hedging strategies which burgeoned during the bull market in equities were inextricably linked with trading futures. They were primarily the preserve of large institutional investors but, in the late stages of the bull market, even individual investors started playing with options (much to their cost).

The share price collapse exacerbated the fear and deepened the loathing.

On the American Stock Exchange, where around 60 per cent to 70 per cent of daily activity can be traced to the retail investor, trading in shares has dropped by around 25 per cent since the crash, and options business has slumped by around 40 per cent.

On the Chicago Board Options Exchange, volume in its key Standard & Poor's 100 option contract has plunged to below 250,000 lots per day from an average of around 500,000 lots per day last August.

Specialists in options on both these exchanges have recently negotiated compensation for customers who complained they had been given poor prices and found difficulties in getting orders executed in the week of October 19.

The CBOE has paid out $1.2m on behalf of its floor specialists, who will have to pay the exchange back. The American Stock Exchange has taken a more arms-length approach, paying no compensation directly but encouraging individual specialists to negotiate settlements with particular customers. The payout in this case is expected to be around $1m.

Although these sums are small in comparison with the losses taken by options customers, the effort to soothe the small investor's anger is plain.

Portfolio insurance – the strategy based on mathematical formulae which offered large institutional investors a hedge against downside risk, at the same time as preserving the potential for substantial profits when the market was rising – has been particularly hard hit.

The small investor's fear and loathing has been deepened

Estimates suggest that $60bn to $80bn of funds were under portfolio insurance management on the eve of the crash. Since then, that total has been more than halved, according to Mr John O'Brien, chief executive officer of Leland O'Brien Rubenstein Associates, the company set up by the inventors of portfolio insurance to market the concept and execute the strategy for investors.

Mr O'Brien said his firm had taken a heavy knock and, three months after the crash, there were only the most modest signs of a revival of interest. He expects portfolio insurance to remain in the doldrums for perhaps another year, when interest in hedging strategies should revive.

The complaint with portfolio insurance was that the extreme volatility on October 19 and 20 meant it was very difficult to adhere strictly to the mathematical formulae. The success of this strategy lies in trades being triggered at a particular price level, with as little as possible effect on those prices.

The discontinuity of prices on those days meant it was difficult to sell as much as the formulae suggested. Those who had built huge stock holdings, in belief that they could get out quickly when the market turned lower, were disappointed.

Nevertheless, portfolio insurers still argue that investors who had employed portfolio insurance strategies did much better that those who were not hedged, and those insurers who managed to sell the closest to what the formulae suggested had done the best.

Whatever the pros and cons, there seems little hope soon of a rational consensus emerging about the efficacy of portfolio insurance in what has increasingly been a reactionary climate in which complex futures-related strategies have been targeted most for criticism.

The amount of stock index arbitrage activity since the crash is difficult to read. Shearson Lehman was not a major player, and it seems the substantial arbitrageurs have continued to use this strategy despite the New York Stock Exchange's decision to place permanent limits on this kind of programme trading through its Superdot system.

However, since the curbs were imposed, the limits have not been reached. During the experimental stage, the curbs would have been triggered if the Dow Jones Industrial Average had fluctuated by 75 points or more. The new rules

However, since the curbs were imposed, the limits have not been reached. During the experimental stage, the curbs would have been triggered if the Dow Jones Industrial Average had fluctuated by 75 points or more. The new rules which will be permanent if approved by the SEC, set a limit of only 50 points.

One veteran futures and options trader in Chicago said stock index arbitrage was still being done but activity was much diminished. The NYSE curbs had contributed to this decline, as many houses had been put off using the Superdot system and didn't have the infrastructure to execute orders manually without a great deal of cost and time.

The philosophical backlash against stock index arbitrage has not been nearly as fierce as the one which has hit portfolio insurance. The SEC pointed out in its review of the crash the need to be sensitive about any limits on trading in derivative products, noting that arbitrage between the futures and cash markets was not only a useful tool to even out price discrepancies but also an efficient hedge for investors.

The stock index arbitrageurs were given a fillip from an unexpected quarter earlier this month when the London Stock Exchange's report of the crash was published. This review advocated more arbitrage between the cash and futures market as a force for stabilising financial markets.

Janet Bush

4: Effect on the industry

Less risk and back to basics

US FUTURES and options exchanges take great pride in the fact that none of their clearing firms failed a margin call during October's frantic markets.

However, exchanges were rife with rumours on October 19 that many a firm was about to do just that, and New York's Commodity Exchange even called the Commodity Futures Trading Commission at one stage, because it feared one of its members was not meeting a margin call. This turned out to be a delay in funds caused by a back-up in the Federal Reserve wire that transfers money between banks.

In the end, all firms met their commitments, but the losses they sustained in doing so are still taking their toll. The industry overall was much chastened by the crash, and brokerage firms are seeking to minimise their risks in the volatile markets that have followed.

"You don't learn when you're winning," one veteran trader at the Board of Trade insists, "you only learn when you lose and have to question why." Indeed, many younger traders had never experienced a bear market, and were caught unawares by the plunge.

Traders' experiences during the crash have lent a more cautious air to Chicago's futures pits as they adapt to the changed circumstances. Many have been warned off using risky, speculative strategies in stock index futures and options, and participation is lower as a drop in volume shows.

Volume in contracts most closely related to the stock market is down significantly. In spite of some pick-up in November, volume in the Chicago Mercantile Exchange's Standard & Poor's 500 futures contract has sunk to an average daily volume of under 50,000 lots, from pre-crash levels of over 85,000. The same has happened at the Board Options Exchange, where volume in its S&P 100 index option has halved to an average of some 243,000 a day from around 492,000 in August.

"The most important thing we learned from the crash was that we want to discourage the sale of naked, out-of-the-money options," says Mr Patrick Arbor, senior vice president of Shatkin Trading. This risky strategy, which Mr Arbor says some of his traders were pursuing with call options in the bond pit and put options in the S&P 100, was responsible for some of the biggest losses throughout the industry during the crash.

The strategy involves selling – or writing – unhedged options with a strike price far away from where the futures market is at the time. Traders who were doing this were betting the stock market would never fall by more than 200 points in a day, Mr Arbor explains, thus running no fear of having their options exercised.

Losses at First Options – one of the biggest clearing firms on the Options Exchange – of over $100m are reported to have been the result of a few traders pursuing this strategy. "It appears easy," warns Mr Arbor. "If the strike price on the option is never reached, then it's easy money, but it's not trading – it's pure speculation."

Speculative trading has, in any case, been much more difficult in the volatile markets that have followed the crash, where prices are likely to swing widely in a day's trading. Exchanges have been under pressure to curb volatility by introducing price limits that stop the markets moving more than 30 or 40 points in one day. So far, these have been introduced on several stock index futures contracts, but the Options Exchange has resisted a similar move.

The Board Options Exchange (CBOE) has been hardest hit by the fall-out from October 19. Dependent on its S&P 100 option for over 60 per cent of its total volume, the exchange has suffered from the drop-off in that contract, and has been forced to make cost-cutting moves, which include some 150 job cuts.

In addition, the CBOE has cut its budget for this year by $15m, lowering its break-even point to a contract volume of an average 450,000 lots a day. It has further tried to entice individual investors back to the market by making a refund of $1.2m to customers who feel they were over-charged on certain options series the day after the crash.

But moves by Chicago's exchanges to raise margin requirements on certain stock index contracts have further discouraged some public orders, traders report. Although margins have been reduced slightly from their high during the crash – at an initial margin of $15,000 for the S&P 500 futures – they are still above pre-crash levels.

In addition, some clearing houses are making it more difficult for their traders to participate in certain futures pits by raising their own margins. And local traders – those that trade for their own account and have traditionally provided liquidity in the Chicago markets – have been hardest hit by these measures.

Many locals were forced by huge losses to leave the markets during the week of the crash, when over 100 seats were sold on Chicago's three major exchanges. Some of the smaller traders who remain are frightened and are more cautious in their trading – many have moved out of the stock index pits and into "safer" markets.

In the general flight to quality that followed the crash, interest rate contracts, such as the CBOT's Treasury bond futures and the CME's Eurodollar futures, have seen surging interest. In fact, Eurodollars won the edge from S&P 500 futures as the CME's dominant contract last year.

At the same time, the back-to-basics drive has seen renewed interest in traditional agricultural commodities, and many large pension funds have become active in the CBOT's grain pits. This move, accompanied by sharp falls in US agricultural stocks, has led the CBOT to proclaim a bull market in grains for this year – reversing a three-year decline in the market.

The boost in these markets has helped offset declines in other stock index-related contracts, and so far Chicago has managed to escape the sort of widespread shake-out suffered by some trading firms' equities departments. Exchanges take pride in their performance on October 19 and are taking pains to convince their public investors of that.

Deborah Hargreaves

Government bond futures: business has come to dwarf volumes in other contracts, and competition between exchanges is fierce

October's storm produces ideal trading weather

GOVERNMENT BOND futures stand out as by far the most successful product the financial futures industry has invented. The last few years have seen records in trading volumes smashed time and time again.

The massive growth in futures trading goes hand-in-glove with advances in the liquidity of the underlying cash markets, both on an international and a domestic basis, fuelling demand for futures as hedging instruments. At the same time, price movements in the futures markets have frequently come to dictate the direction of the cash markets.

Just a glance at the number of contracts traded on the different exchanges last year tells the tale. According to the *Chambre de Compensation des Instruments Financiers de Paris* (CCIFP), 62.56m Treasury bond futures changed hands on the Chicago Board of Trade, while 18.26m Japanese Government bond contracts were traded on the Tokyo Stock Exchange.

The most spectacular growth was achieved by the Paris *Marché à Terme des Instruments Financiers* (Matif), which was opened in early 1986. There, volume in French Treasury bond contracts leapt from 742,892 contracts in July to over 1m in December.

Last October's crash actually benefitted the government bond futures markets, whatever it may have done to volume in stock index futures. It provided ideal conditions for futures dealing: high volatility, tumbling interest rates, and a flight by investors to the safety of the government securities markets.

During the year, volume in the Chicago Board of Trade's Treasury bond futures contracts jumped 27 per cent. But the volume of long gilt contracts traded on the London International Financial Futures Exchange achieved a phenomenal 168 per cent increase, with 6.99m contracts traded.

The massive increase here reflects the impact of the vastly increased number of gilt market makers following London's October 1986 Big Bang reforms. This initially created 27 players in a market previously dominated by two.

Big business in government bond futures has come to dwarf volumes in other contracts traded on the various exchanges. For instance, in January 1986, 112,510 contracts in Liffe's long gilt future were traded, while 139,886 Eurodollar contracts changed hands. In January this year, the figure for the long gilt contract was 573,603, against only 141,771 for the Eurodollar contract.

Fierce competition between the exchanges has led them to develop a range of contracts based on international securities. But the performance of these has often proved disappointing relative to the growth in contracts based on securities on the exchange's home patch, since the bulk of the business in any one contract still goes to the centre where the cash market is the most liquid.

Take, for instance, Liffe's move last July to introduce a futures contract based on Japanese government bonds. This was important symbolically for Liffe, because it became the first futures exchange to trade contracts based on all three of the world's most important government bonds: US, Japanese, and British.

However, current turnover in the contract suggests Liffe may have overestimated the amount of business in JGBs transacted in London. On the first day of dealing, 36,065 JGB contracts, worth Y3,600bn, changed hands. But during the whole of January only 6,395 contracts were traded.

The decision by the Japanese Ministry of Finance last April to allow residents to trade in foreign futures contracts contributed to Liffe's decision to launch the contract. But the Tokyo Stock Exchange's own future on 10-year Japanese government bonds, launched in October 1985, was already well-established.

Liffe may stand more chance of stealing a march on a domestic market with its plans to introduce a futures contract based on 10-year West German Federal Government bonds, which could be ready as early as June.

Futures trading has not yet been introduced in West Germany, and plans to set up the exchange, for which the working title is Goffex (German Options and Financial Futures Exchange), have proved slow-moving. The exchange is not due to open till the end of next year.

German bankers now fear that if Liffe's putative *Bundesrepublik* contract does get off the ground it may be impossible to entice the business back to Germany, where the cash market for Bundesrepubliks is still concentrated, despite very substantial trading in London.

The Chicago Board of Trade spotted an opportunity to enhance its already buoyant turnover in US Treasury bond futures when the Japanese Ministry of Finance allowed Japanese residents to buy foreign derivative instruments, albeit that much of Japanese firms' demand for Treasury bond futures could already be satisfied by dealing through their overseas subsidiaries.

Nevertheless, the business transacted during the CBOT's evening sessions, introduced last April to cater for morning trading in Japan, was sufficiently encouraging for the exchange to introduce Sunday sessions two months later, to coincide with Monday dealing in Japan. The evening sessions recorded volume of 2.4m contracts during the year.

Japan now has plans of its own to introduce futures on US Treasury bonds, to be included in the package of derivative products which the Ministry of Finance announced in January. These are expected to become available later this year.

In the UK government bond futures market, the start of this year saw an innovation in the form of a medium-dated gilt future, launched by Liffe in anticipation of January's auction by the Bank of England of £1bn worth of medium-dated gilts.

The contract could also interest participants in the interest rate swap market, and in the Eurosterling market, where five-to-ten year bonds have had to be hedged using mismatched, longer-dated gilt options.

However, initial demand has been sluggish, with only around 23,000 contracts traded during the first month. The long gilt contract saw about 573,000 trades.

Clare Pearson

In July, Liffe introduced a contract based on Japanese Government bonds – left to right: Michael Jenkins, chief executive, Liffe; Shiro Uramatsu, executive vice president, Tokyo Stock Exchange; Brian Williamson, chairman of Liffe; Yuichi Ezawa, financial minister of the Japanese Embassy. Meanwhile, last year's most spectacular growth was achieved by the Paris Matif (Right).

Off-exchange trading in the US

Regulators seek to protect retail customer in battle of look-alikes

"THIS IS a very slippery animal," sighs a Chicago exchange official about the US off-exchange market. "Whatever happens, it's not going to go away." And the protracted debate over off-exchange hedging instruments remains a muddy one.

In spite of strong exchange opposition, banks and brokerage houses are coming up with an ingenious array of products that look like futures or options contracts, but are traded away from a regulated arena. "We are now up against a lot of bright lawyers, who will insist this isn't a futures contract, no matter what it looks like," another exchange official complains.

And this is where the exchanges have met problems signing up a regulatory champion for their cause. US regulators have faced difficulties extending their jurisdiction to some of the look-alikes traded over-the-counter, precisely because of the problems in defining those products. A bank certificate of deposit with its return tied to the performance of the Standard & Poor's 500 stock index, for example, may possess some of the qualities of a put or call option, but it does not fall easily within the existing regulatory framework.

For this reason, the Commodity Futures Trading Commission (CFTC) is re-thinking its whole approach to the off-exchange area, although this is a slow process and is not likely to change legislation overnight. In the meantime, Chicago's exchanges themselves are taking up the issue.

The exchanges argue that off-exchange instruments can compete unfairly with their own products, as they are not subject to the same sort of regulatory constraints and can be offered more cheaply. They also express concern that any regulatory grey areas may attract fraudulent operators.

"We are concerned about the possibility that one of these off-exchange products can screw up and tar the exchanges with the same brush," avers Mr Ken Cone, at the Chicago Mercantile Exchange's regulatory department.

Indeed, the exchanges have even taken their opposition to the courts, albeit with not much success. In an attempt to halt the go-ahead of an electronic options trading system developed by Security Pacific – West-Coast based bank – Chicago's three exchanges filed a lawsuit against the Federal Reserve Board's approval of the project.

However, the suit was thwarted when Security Pacific sold the system to RMJ Securities, a New York firm. The bank, which will remain as the system's clearing organisation, said it was frustrated with delays it faced getting the system off the ground.

Exchanges realise there may be benefits from the over-the-counter market, but are sensitive to any whiff of competition

"In essence, we're back to square one," said a lawyer for the Chicago Board of Trade, of the lawsuit, which was dismissed by the court. "We're waiting with bated breath to see what RMJ will do with the system."

The Chicago exchanges had sought to get the Security Pacific system – for displaying trading in options on Treasury securities – classified as an exchange and hence subject to the same regulatory requirements as they are. However, the system's developer insists it will not compete with established exchanges, calling them "blockheads" for not seeing that. "We should be able to complement each other with one feeding off the other," he contends.

But while established US exchanges realise there may be some benefits to be reaped from the over-the-counter market, they are still sensitive to any whiff of competition. This fear has been intensified by the threat of additional costly regulation brought on by the stock market crash.

At the same time, the CFTC is trying to outline its own approach to the off-exchange arena. The regulatory agency has been reluctant to become too heavily embroiled in regulation of the over-the-counter market, and has adopted a more relaxed stance on the issue than the big exchanges.

But, realising the need to consolidate its hitherto piecemeal approach to the off-exchange market, an agency taskforce has been studying the issue for over a year. So far, the taskforce is working on a framework to classify certain off-exchange instruments and determine whether or not they should be regulated by the CFTC or left alone.

In a 28-page report that is currently open for public comment, the CFTC has sought to clarify the concept – left very murky by the existing Commodity Exchange Act – of a futures contract. In doing this, it can then fit the new products into existing regulations.

With its main concern being the protection of the retail customer, the CFTC has focused on certain types of hybrid instruments, which represent the fastest growing set of over-the-counter products and, like the certificate of deposit tied to the S&P 500, are most likely to attract individual investors.

The CFTC's report lays out criteria for determining the futures or commodity option component of these hybrid instruments. And then, depending on how big a portion this is of the overall instrument, the agency can gauge its response to it.

In the most controversial part of the CFTC's proposed framework, it suggests a no-action clause for contracts between "professionals", or firms that already have a business relationship with each other. This recommendation is likely to cause the most public debate, as exchanges fear it could be used as a loophole for all sorts of products to skirt regulation.

Before the comment period on the report runs out at the end of March, the exchange industry is expected to be pushing its opinion very forcefully. "The CFTC has bitten off a big chunk here," one exchange official comments. "I'm sure they'll get a lot of feedback."

The exchanges are, however, encouraged that the CFTC has made a move toward regulating the off-exchange area, even though regulation is not expected to be in place before the end of the year. Once the instruments are pinned down and classified, they will be controllable, exchanges argue. "There will always be loose edges," one official states, "but at the moment it is so blurry over such a wide area that anything is an improvement."

Deborah Hargreaves

The Chicago Mercantile Exchange

Black box is on trial

LAUNCHING ITS latest salvo in the windy city's battle to retain supremacy of the financial futures markets, the Chicago Mercantile Exchange has hailed its nascent screen trading system as the "future of futures".

And Chicago is feeling the pressure to retain its grip on futures business in a market that – demonstrated so strikingly by October's stock market crash – is rapidly becoming a world village.

Indeed, it was in response to the 24-hour marketplace that the CME agreed with Reuters to develop an automated trading system to take over when its floor is closed. The CME's LaSalle street rival, the Chicago Board of Trade, had its eyes on the same overseas competition, when it extended its Chicago open outcry hours.

With more than 70 per cent of the world's futures and options business trading in Chicago, the city's three exchanges are eager to preserve their lead against the continued growth of foreign and off-exchange competition. And they consider that the way to do this is to entice more foreign users to the city's markets by remaining open while they are at work.

The CME is enthusiastic for its Post (Pre) Market Trade system (PMT) to carry it into the 21st century. Amid a blaze of publicity, it announced the agreement with Reuters last September, declaring that the system would be up and running in 1989.

Under the terms of the agreement, the exchange will be able to list its contracts on the system for at least 12 years. In addition, the CME has first refusal to trade any new products that may be developed for the PMT, and it has a final say over listing any other exchange's existing contracts on it.

The CME's move into the thinly populated realms of screen trading follows an attempt to extend market hours by linking up with an overseas exchange. After setting up the Singapore International Monetary Exchange (Simex) in 1984, the CME hooked up three of its currency futures and Eurodollars contracts in a mutual offset agreement.

However, the Simex link has been limited in its success. The mutual offset system between the two has been trading little over a modest 150,000 lots a month, and regulatory complications make it unlikely that linkage could be extended round the world.

Indeed, the industry's enthusiasm for links has dwindled as several planned moves have long been held up by red tape, and those that have been launched have seen meagre volume. As one official at the CBOT – itself long in anticipation of a link with the London International Financial Futures Exchange – says, "the jury is still out on linkages".

The CME is in no doubt that Simex was not an answer to its globalisation needs. "It does not cover a 24-hour environment and may, in some respects, become over-shadowed by Japan in the Asian time zone," Mr Leo Melamed, the exchange's special counsel avers.

After watching its rival CBOT grasp the initiative on extending trading hours, by its addition of a night session, the CME said it decided to pursue the electronic route to cover a longer time period. However, in spite of its limitations, the CBOT's evening session has been successful in taking a step – albeit a small one – towards 24-hour trading.

The city's three exchanges face increased competition

With a rising trading volume of nearly 300,000 contracts a month, the CBOT's 6pm to 9pm evening session has managed to attract some business from the Asian time zone. And the exchange itself feels the move has gone so well that it is considering the addition of an early morning session to cash in on European business.

But as CBOT traders look ahead to a few more bleary eyes, the moves in Chicago have set the highly competitive US exchange community on a debate about the best way to become more global. Several of New York's five futures exchanges are looking at an evening session, and the New York Mercantile Exchange has the option of listing its frenetic crude oil futures contract on PMT.

However, while Nymex has rejected the idea of a link-up with London's International Petroleum Exchange, it still wavers over how it should attract more international participation. And, so far, the Philadelphia Stock Exchange – frustrated in its attempts to link with the London Stock Exchange – is the only other US exchange to introduce night trading.

The world exchange community is sitting back to wait and see how the CME's PMT will work. So far, few operational details have been released, but rumours of hardware problems abound.

The precise regulatory status of a black box system is also not clear, although the CME says approval by the relevant regulatory bodies should be just a formality as night trading has already been given the go-ahead.

More important, however, the exchange is still selling the system to its own traders. While exchange staff praise PMT as the "marriage of technology to open outcry", several traders fear the system will presage a move away from open outcry altogether.

In addition, several in the CME's vibrant community of local traders – those that trade on their own account – are wary of being squeezed out of some of the system's benefits by the larger brokerage houses. PMT is to operate as a free-standing unit, its profits to be divided up between members – the bulk of which will go to the big exchange clearing houses.

So far, the CME's locals have failed to be fully convinced of the attraction of black box trading. And Mr Karsten Mahlman, chairman of the CBOT, voices a very real concern when he questions whether the locals, who have traditionally provided liquidity to Chicago's market, will participate in screen trading. Without local traders, any screen system is likely to suffer a lack of liquidity.

In fact, liquidity has been an issue dogging other attempts at screen trading. One of the first attempts at black box trading – Intex – was set up in Bermuda in 1984. But the exchange has not yet developed a liquid market, and its new president, Mr Tom McKiernan, is convinced it would work better if it could ally itself to an open outcry arena.

The CME stresses that this is where its strength lies – the fact that it already has a smooth functioning market with huge open interest and an efficient clearing system in Chicago. The PMT would support and extend this efficient market, the CME argues.

So far, screens have worked best for small markets where players are geographically dispersed, as in the New Zealand Futures Exchange's Automated Trade System. And one of the most successful ventures is the London Futures and Options Exchange's automated white sugar futures contract, which is trading several thousand contracts a day.

However, while London's contract has a longer trading day – until 7.10 pm – it is not a 24-hour system. And Mr McKiernan judges the CME's plans to trade successfully round the clock as "ambitious".

But the CME feels its PMT system is the best way to compete in the global marketplace, at the same time introducing the newest technology. "We could ignore new technology and become a dinosaur," Mr Melamed cautions.

Deborah Hargreaves

Entry to Liffe has become so expensive that few can afford to join the party

New class of seat may appeal to locals

THE LONDON International Financial Futures Exchange has become a victim of its own success.

Last year, it celebrated five years of life with much fanfare. Every night for a week, its trading floor became a banqueting hall with an impressive *son et lumiere* video show for the guests. The partying was justified, because Liffe had not only overcome many City taboos merely in establishing itself, but also because it has developed a core of actively traded contracts.

Liffe's problem now is that the cost of entry has got so high that few people can afford to join the party. This is a problem which every budding exchange would like to have. But it is also a serious one, because it inhibits further growth in liquidity. There is a feeling among members that the exchange authorities have been dragging their feet on plans for expansion of trading capacity.

When seats were first sold in 1982, the price was £20,000. By January 1987 – just after the October 1986 Big Bang which has contributed to Liffe's growth – the price at which they were trading had reached £100,000. By October 1987, they reached a peak of £250,000. In uncertain times for financial services companies after the October crash, the price has slipped to £220,000. But this remains a high entry price even by US standards.

Mr Michael Jenkins, Liffe chief executive, acknowledges that the cost of entry "is the most important thing that's holding back the growth of the market." The exchange has been working for many months on plans for a rights issue of seats, and Mr Jenkins promises that it will be completed during the first half of 1988.

Each of the 373 seats held by Liffe's 196 member firms entitles the holder to one trader on the floor of the exchange (excluding other floor staff that a firm may have). The popularity of a few contracts, especially futures on long-term UK government bonds – known as long gilt futures – has meant that more and more traders tend to be concentrated in them. This deprives other pits of much-needed liquidity, because firms cannot afford to devote their traders to the less active contracts.

The delay in making a rights issue of seats has been caused by the need to reconstruct the company. Since it was a limited liability company without issued share capital, an issue of seats would have attracted 15 per cent value added tax on members. In addition, the proceeds of an issue would have been subject to capital gains tax.

Following time-consuming reconstruction into a company with share capital, Liffe plans to make a rights issue of new seats which will entitle the holders to have a trader in any of the less active and newly introduced contracts.

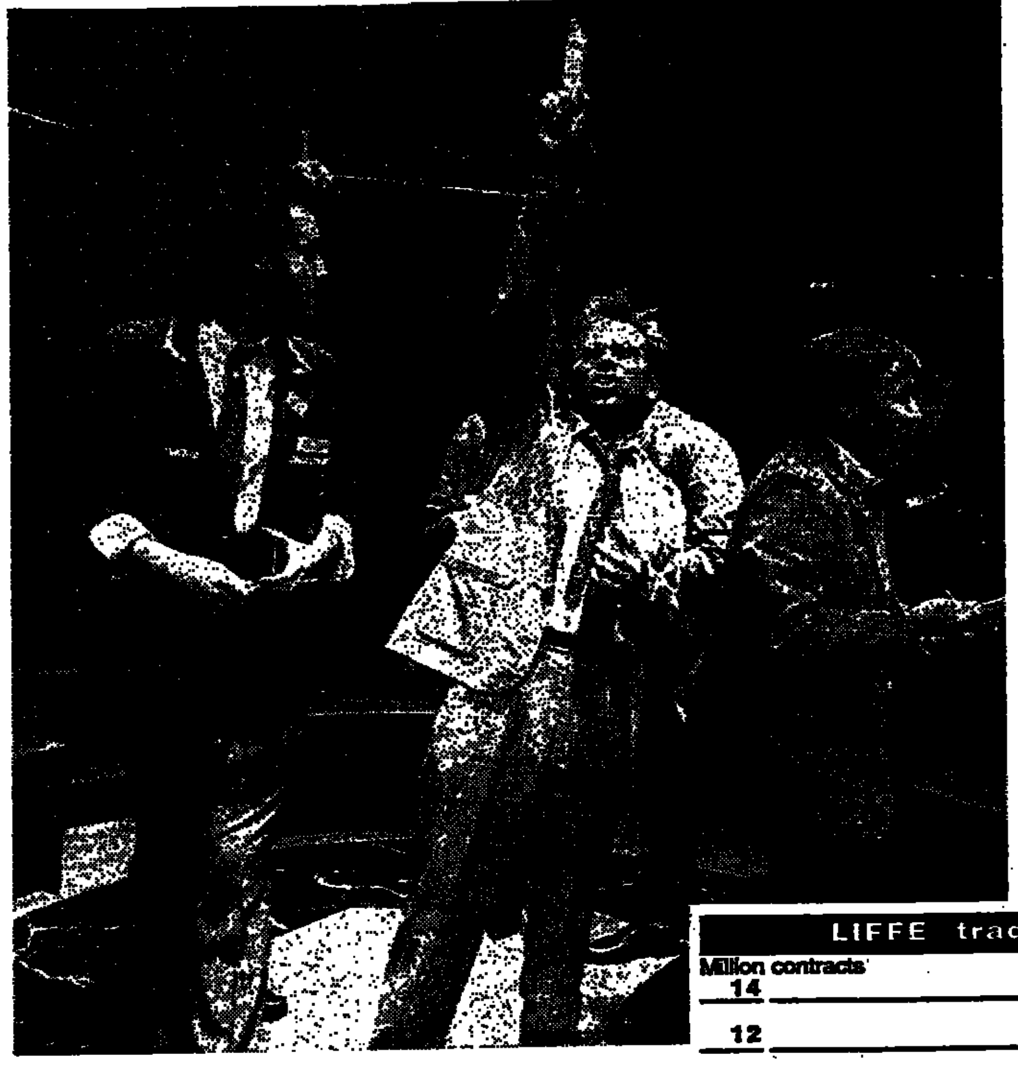
The aims would be to increase trading capacity of the exchange as a whole, to focus this increase on less liquid contracts, to provide a lift in value ... to protect the value of existing seats which would continue to provide the right to trade in all contracts.

The new class of seats would probably be exchangeable into full seats after a period of time – for example, they might be convertible after two years on a ratio of four new seats to one old.

One effect of the lower cost of entry could attract more "locals" – individuals who attempt to make their living from their own trading activities – into the less active contracts. Liffe currently has about 70 locals, representing a steady but slow increase. There are many on the floor who believe that liquidity would be boosted by having more of them.

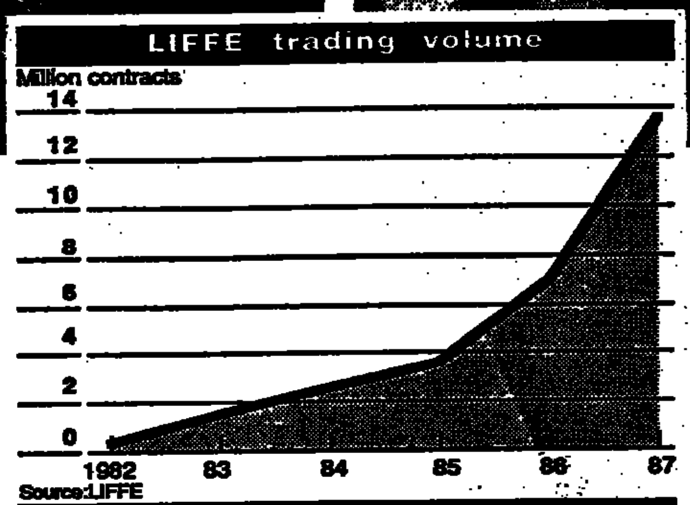
Liffe has always been conscious that it was bringing to London a type of trading viewed with suspicion as a gamblers' forum, and has therefore emphasised the hedging function rather than the speculative aspect of futures. It has been uneasy about the prospect of individuals coming into the market and losing their shirts – as happens frequently among Chicago's booming community of locals. Some people feel that Liffe has now established itself firmly enough not to be overly constrained by such concerns.

The public perception of futures and options undoubtedly suffered, however, from the stock market crash, so Liffe is likely still to tread carefully.



The London International Financial Futures Exchange floor has been captured in Caryl Churchill's play Serious Money . . .

. . . and the cries and movements of the actors are truer to Liffe than many of the theatre audience may believe.



Though Liffe enjoyed record volumes and no systems problems during the crash, some inadequacies were exposed. Most embarrassing were a few trades in stock index futures which took place at discounts absurdly far below the level of the Financial Times-Stock Exchange Index of 100 shares.

Mr Jenkins says this was probably caused by inexperienced traders who received orders to sell "at the market" and sold at any price in the prevailing atmosphere of panic. Though Liffe has always opposed setting limits on daily price movements, he says it might consider a system of very brief halts if a price moves very widely. This would be a very modest form of the "circuit-breakers" proposed in the US and would be designed merely to bad effects which can come from having trades which are wildly out of line with the market.

"It's a question of balance between freely functioning markets and avoiding situations which bring the market into disrepute," Mr Jenkins says.

A separate phenomenon seen during the crash was that futures prices moved to a wide discount of 3 to 5 per cent to the FT-SE index. This was perhaps because of a perception in the stock market that orders to sell shares could not be executed quickly enough: sellers therefore diverted their sales to the futures market and were prepared to accept a lower price for quick execution. They may also have believed that the prices they saw on Stock Exchange screens did not represent actual dealing levels.

In fact, the Stock Exchange's subsequent study has shown that price on its screen system by and large did show prices at which firms' customers could deal. The discount would have been ironed out, it said, if arbitrage between the two markets was easier. Arbitrage between stock index futures and the stock market is now commonplace in the US, but in the UK it has been hampered mainly by transaction costs and stamp duty.

The Stock Exchange, concerned that the futures discount unnerved the stock market and consequently exacerbated the UK market's fall, urged that arbitrage be facilitated.

Liffe's FT-SE futures have in fact been showing increased volume after years of disappointment, but they still remain insufficiently liquid. The exchange's new Japanese government bond future and its medium-term gilt future have had low volumes but are still in their early days.

Among planned new contracts, Liffe is working on a sensitive project to introduce futures on West German government bond futures. But it has put Eurobond futures on the back burner.

Meanwhile, long gilt futures and options are the backbone of the exchange. With the expansion of market-making capacity and trading volume in the gilts market caused by Big Bang, Liffe is an integral part of the gilts market, as are government bond futures in the US, France and Japan.

Liffe's US Treasury bond futures and futures on short-term sterling and dollar interest rates also quite liquid. Volume in currency contracts remains virtually non-existent.

Despite a good deal of acrimony last year, talks are proceeding quietly with the Stock Exchange on a closer relationship with the traded options market. Less likely to come to fruition now are Liffe's negotiations with the Chicago Board of Trade on a link. That too is on the back burner in the wake of the stock market crash, the fall-out from which has preoccupied US futures exchanges.

Alexander Nicoll

London SE traded options

Expansion prospects threatened by low volume and poor publicity

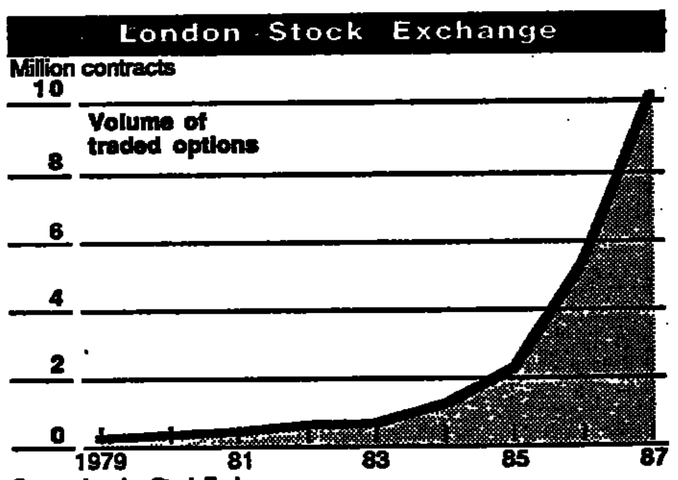
THE STOCK market crash has been a severe blow to the growth outlook for the London Traded Options market, which had mushroomed during the first nine months of last year.

More contracts had been traded during that time than in the whole of the previous nine years of the market's life, a landmark having been reached on September 24 when the 20-millionth contract changed hands.

Since then, however, dwindling turnover in the cash market has meant that traded options volume has plummetted too: currently, it stands at about 30,000 contracts a day, about half that before the crash.

Nevertheless, the market's potential for growth in terms of its share of the value of the market in the underlying securities still looks good. Options business amounts only to between 10 and 12 per cent of the value of the market in the underlying securities – which leaves plenty of room for expansion when it is remembered that, in the US, the proportion would be around 250 per cent.

The market can only become more significant in relation to the cash market as it presses on with the programme of listing options on alpha stocks, which account for up to 60 per cent of UK equity turnover. The exchange is currently only about half-way through its plan, due to be completed by the end of next year, to list options on all constituents of the FT-SE 100 index.



The stock market crash has, however, almost certainly had the effect of undoing much of the public relations work which practitioners have carried out over the last few years, playing down the speculative aspects of options dealing and promoting its risk management role. Instances of both private investors and professionals losing vast sums of money have been extensively covered in the press.

Perhaps most notable have been the well-publicised losses suffered by the traded options department of County NatWest Securities, the securities subsidiary of National Westminster Bank. These occurred partly as a result of the massive exposure of a few private investors, who were allowed to trade through the bank and were not able to meet their debts.

In its Quality of Markets survey, the Stock Exchange recently chronicled the effects during the week beginning October 19 of investors as a group going into the crash net short of put options. This arose because, before the crash, writing (selling) out-of-the-money put options seemed a "safe and easy" way to enhance the yield on a portfolio. But, the exchange says, for those with unhedged positions, it turned out to have "significant, and for some very serious, implications".

During the week beginning October 19, a record 124,000 options were exercised, the bulk of them put options with strike prices well above the current level of share prices. A writer of the put is likely to have been forced to pay for the shares at prices well above the prevailing market rates.

After the crash, the options market noted, with what it described as "immense pride", that it had managed to stay open throughout the turbulent week, its only falter being a cessation in the quote on the FT-SE option for about $2\frac{1}{2}$ hours on the Wednesday.

Options market makers have been criticised for widening bid-offered dealing spreads sharply during that week. For instance, the closing quote spread on the FT-SE December put option was 99p on the Tuesday, compared with 3p during the week before.

But this was an almost inevitable result of the difficulties options market makers encountered in obtaining price information, and of the hectic demands of investors.

The wide discount to share prices in the cash market at which the FT-SE futures contract, traded on the London International Financial Futures Exchange, was quoted, meant that it was difficult for options market makers to hedge their positions. At the same time, investors themselves were far less concerned about negotiating dealing prices than they would be under normal circumstances.

The options committee has also been keen to point out that it was the first London market to call for extra margin payments during the week of the crash. Intraday margin calls were increased by 50 per cent on the Tuesday, while the margin on the FT-SE contract was increased from $7\frac{1}{2}$ to $12\frac{1}{2}$ per cent of the underlying value for closing client positions on the Wednesday onwards.

The crash has inevitably meant that the options committee is now proceeding at a more leisurely pace with its expansion plans, which seemed a matter of urgency as volume exploded last year.

One of its most ambitious schemes has been the launch of options on foreign shares, seen as crucial if London is to play its full role as a centre of global equity trading.

The first such options were introduced in January, having been delayed from November because of the crash. These contracts – on three French stocks, Peugeot, Elf Aquitaine and St Gobain – have attracted minimal attention so far.

Mr Geoffrey Chamberlain, chairman of the committee, says negotiations with other European stock exchanges, notably the West Germans, with a view to listing options on other foreign stocks, continue. But he admits volume levels would be insufficient to justify the expense and effort of introducing further foreign options at the moment.

The shelving of the market's most ambitious project last year, however, was unconnected with the crash. This was the plan to create a single futures and options market in London by merging with Liffe. The plan was conceived amid acknowledgement by both sides that a merger would eliminate futile competition, notably on options on UK government bonds and on currencies, which are traded on both exchanges, though Liffe takes by far the lion's share of the business.

It would also mean welcome savings for securities firms, many of which trade options on both exchanges and have to meet two sets of membership costs, as well as separate margin payments to back their positions in both markets.

But months of discussions ended in deadlock last August, with neither side prepared to surrender its ultimate jurisdiction over the separate markets.

Clare Pearson

British regulation

Overlap must be cut

THE BRITISH regulatory authorities have had to come up with a very comprehensive structure covering a wide range of markets in an extremely short time, Mr Michael Jenkins, chief executive of the London International Financial Futures Exchange (Liffe), believes.

"The best thing now is to get it going and get some practical experience," he says, though he feels the process of evolution which has taken matters to the current stage will have to continue. "I hope the authorities will be responsive to change."

The body which will take most of the responsibility for regulating the futures and options markets is the Association of Futures and Brokers Dealers (AFBD), which was officially designated as a Self Regulatory Organisation by the Securities and Investment Board on January 13.

Under the Financial Services Act, the SIB next month delegate regulatory powers to the self regulatory organisations (SROs). These will have the power to authorise firms to carry out investment business on Recognised Investment Exchanges (RIEs), as well as powers to monitor conduct and capital adequacy.

The RIEs will operate and supervise individual markets. The exchanges in the AFBD's brief are Liffe, the London Metal Exchange (LME), the London Futures and Options Exchange (the former London Commodity Exchange, now known as Fox), the International Petroleum Exchange (IPE) and the recently-established Baltic Futures Exchange, which includes the potato, soya bean meal, meat and freight futures markets.

The AFBD's road towards recognition has been strewn with difficulties. Four days after it applied for recognition on July 31 last year, the SIB produced 126 pages of amendments to the rules. The association had to go back to the drawing board to produce another rule book.

In all, five successive rule books were produced before the November 1 version was finally accepted. "There will be another number of amendments which have been gathered in since November, but I don't regard those as substantive," says Mr Alistair Annand, AFBD chief executive.

The Office of Fair Trading notified the association that the rules were acceptable in January. But it highlighted two of the problem areas faced: the rules on capital adequacy and the costs of membership.

Mr Annand said last month that the rules on capital adequacy were the last remaining hurdle, although considerable progress had been made towards a solution.

Sir Gordon Borrie, the Director General of Fair Trading, said in his report that he was "somewhat concerned that some of AFBD's financial resources requirements may be anti-competitive, although it is too soon to tell whether this will prove to be so."

Whatever happens, the capital adequacy requirements are likely to be extremely costly. London Investment Trust, the futures and options brokerage group, announcing a £21.5m rights issue in January, estimated that it would need £3m to meet the requirements.

Through its Shatkin Trading and Bailey Shatkin subsidiaries LIT is the biggest clearing member on the Chicago Board of Trade - the largest futures exchange - and a prominent clearing member of the Chicago Mercantile Exchange and Liffe.

As for the costs of membership, the OFT report said that the fees structure, because it is based on numbers of employees rather than transactions, "may have an adverse effect on smaller traders on the markets of the Baltic Exchange who, because they have a less favourable employee to turnover ratio, may pay an unduly high proportion of the fees levied by AFBD."

Mr Annand admits that firms which employ more people to do less business will be hardest hit by the fees scale, but feels that there is no real alternative to the system the AFBD has adopted, which is a modified version of the SIB fee structure.

Mr Jenkins, of Liffe, said the cost of the regulatory process was of general concern, although some people tended to play it down. The fees would be quite significant.

"It all has to be paid for by the members of the markets. I think Liffe will ultimately absorb the fees - but it's a very competitive world." He particularly stresses the need of the regulators to keep firmly in sight the primary purpose of all the regulation - to protect the investor.

The AFBD budget for this year has been set at £2.5m, of which £765,000 covers the fees levied by the SIB. The balance of £1.7m represents the association's costs - in particular its administrative expenses and the provision of a surplus to be carried to reserve.

The level of expenditure has risen sharply as the AFBD geared itself up to meet its regulatory responsibilities as a formally recognised SRO. In 1986 administrative expenses were £454,479 and in 1987 £903,099.

Mr Annand is confident that most firms will turn to the AFBD for authorisation to trade, rather than take the alternative of going direct to the SIB itself.

"If the system is to make sense and not give way to duplication and waste, the SIB ought to be the regulator of the regulators. They are the conduit through which the Financial Services Act is enforced.

"It would be wasteful if they themselves had to carry out the on-the-road job of regulation. A competent body has been set up and is paid to do just that."

However, a demarcation problem arises for members of Liffe, where a minority of members trade only in futures.

"We have a number of members who do a range of futures, including softs, but also quite a lot, such as the banks, who are primarily securities and money market traders," Mr Jenkins says.

Securities firms and banks have the option of joining The Securities Association as their SRO. The SIB hopes the AFBD and TSA will come to an amicable arrangement on who joins what. "I think it's broadly agreed that futures related to securities will be linked to the TSA. If they do softs they will have to join the AFBD."

Mr Jenkins believes this highlights a longer-term problem - with two SROs there is bound to be quite a lot of duplication for Liffe members.

The whole thrust of the regulatory authorities now should be to avoid duplication and absurd inconsistencies so that standardised rules can eventually be agreed in the international arena, Mr Jenkins believes.

Mr Annand, however, cites the workings of the EC as an example of the difficulties faced in trying to achieve common procedures and practices. But he also believes that internationalisation and harmonisation of regulation is essential.

David Blackwell

How danger signals were ignored and Hong Kong's futures exchange foundered

Now for silver linings and tight rules

FOR A short, frenzied period six months ago, Hong Kong's futures market led the world. Trading volume in the territory's Stock Index Futures contracts reached levels that even put Chicago in the shade.

Today, in the wake of the world stock market crash, it takes exceptional trading to lift volumes up to 1,000 contracts in a day – far short of the 3,000-plus contracts needed to cover the exchange's operating costs, and barely measurable against the 30,000-contracts-a-day volume that so intoxicated the market in late summer.

Five months after a collapse in which this once-darling market came close to sucking the entire local securities industry into a black hole, the futures exchange is still littered with walking wounded.

Over 40 of the exchange's futures traders are suspended, many facing legal action as the local Futures Guarantee Corporation tries to recoup outstanding liabilities amounting to HK$1.8bn. *Even those that* emerged intact face losses that, in the case of the biggest futures market players, could pass HK$100m. Many carry workforces bloated by the boom, and can be expected to launch into some heavy pruning now that the Chinese new year holiday has passed.

New trading rules, or proposals currently under consideration for restoring confidence in the market, involve substantial cash commitments at a time when traders can either ill afford them, or when trading volumes make *such commitments of dubious* worth.

"We are half way through a first run at problems," says Mr Philip Thorpe, co-opted temporarily as chief executive of the exchange in the wake of the crash. It will be May or June – when an inquiry into the local securities industry, headed by Mr Ian Hay Davison, of Lloyd's of London fame, completes its work – *before the future can be plotted* with any degree of certainty.

When Mr Ronald Li, then Hong Kong's stock exchange chairman, shocked the world financial community by organising the closure of the local exchange as stock markets worldwide went into free fall on October 19, it took two days for the public to become aware that the root cause of the closure had been the failure of *the futures exchange*.

As stock exchange officials blustered about a settlements problem on the stock market, it took time for the outside world to discover that the real root of the crisis could be found in the futures market.

Poor regulation of the futures market, and in particular a failure to enforce margin requirements, left the market effectively *bankrupt as the local stock market* index plummeted.

Still fewer knew enough about the interlinkage of the futures and equity markets to realise that such a bankruptcy could inflict mortal wounds across the physical market, and have a domino effect of unquantifiable force on other markets worldwide.

By the time a rescue had been co-ordinated by the Government, *funds amounting to HK$1.8bn* had been pumped into the Futures Guarantee Corporation by bankers, leading stockbrokers and the Government. Red faces abounded inside the colonial administration as officials were forced to admit that they had ignored, or failed to notice, danger signals that had been flashing progressively brighter for several months ahead of the crash.

It seems barely plausible that an infant market – trading in Hang Seng Index Futures had been introduced on a more or less moribund commodities exchange in May 1986, just 16 months before the crash – could have become so important in Hong Kong in such a short time, and that it could have wreaked so much damage as it came so dramatically unstuck in October.

The success of the Hang Seng Index Contract appears to have been based in part on the appeal it had to institutional investors *traditionally anxious to enter* Hong Kong's notoriously volatile stock market without a market in which to hedge equity investments, and in part on the appeal *it had to the equally notorious* gambling instincts of local Chinese investors.

In the bull run through last summer, the traditional *laissez faire* government attitude of, "if it isn't bust, don't fix it", led it to ignore danger signals. Little attention was given to the fact that many local investors were building up immense exposure behind two-dollar nominee companies incorporated in places like Panama or Lichtenstein. Nor was there great concern that margin calls were either being waived, paid only in part, or being offset against profits earned in previous trading.

It was sobering to discover, as the dust has settled around the collapse, that over HK$1bn of the HK$1.8bn debts outstanding to the Guarantee Corporation were incurred by two such two-dollar companies – both of them operating on behalf of one man and his family – Mr Robert Ng, head of the property group Sino-Land.

Lessons have been learned as the Guarantee Corporation has negotiated a settlement with Mr Ng. After five months, he agreed to a deal under which he is to pay HK$750m over the next eight years. If this sets a precedent for those traders who are still in dispute with the Guarantee Corporation, then those institutions that came to the rescue of the market in October are going to have to reconcile themselves to recovering little more than 75 per cent of their contributions – and even this over a number of years.

Those who prefer to examine silver linings will note that out of the futures debacle, tighter regulation *is likely to result, which* may put the market on a sounder long-term footing.

New classes of traders are to be created, with the price of general clearing membership being raised from the current HK$5m to HK$25m, while ordinary members will have to boost contributions to HK$10m.

Stricter reporting requirements will mean that traders and their customers will in future have to provide much more information about themselves, both to each other and to the exchange.

Margin requirements have been hoisted to a punitive 20 per cent of the value of each contract – a level that exchange officials acknowledge is inhibiting trade, and which has to be reduced in due course.

Even more punitive is the introduction of "gross margining", which means traders can no longer net customers' long positions against their short positions, collecting margin on the *difference, but instead must* collect margins in full on all contracts, whether long or short.

Finally, limits are being imposed on the number of open positions that can be held by different categories of exchange member.

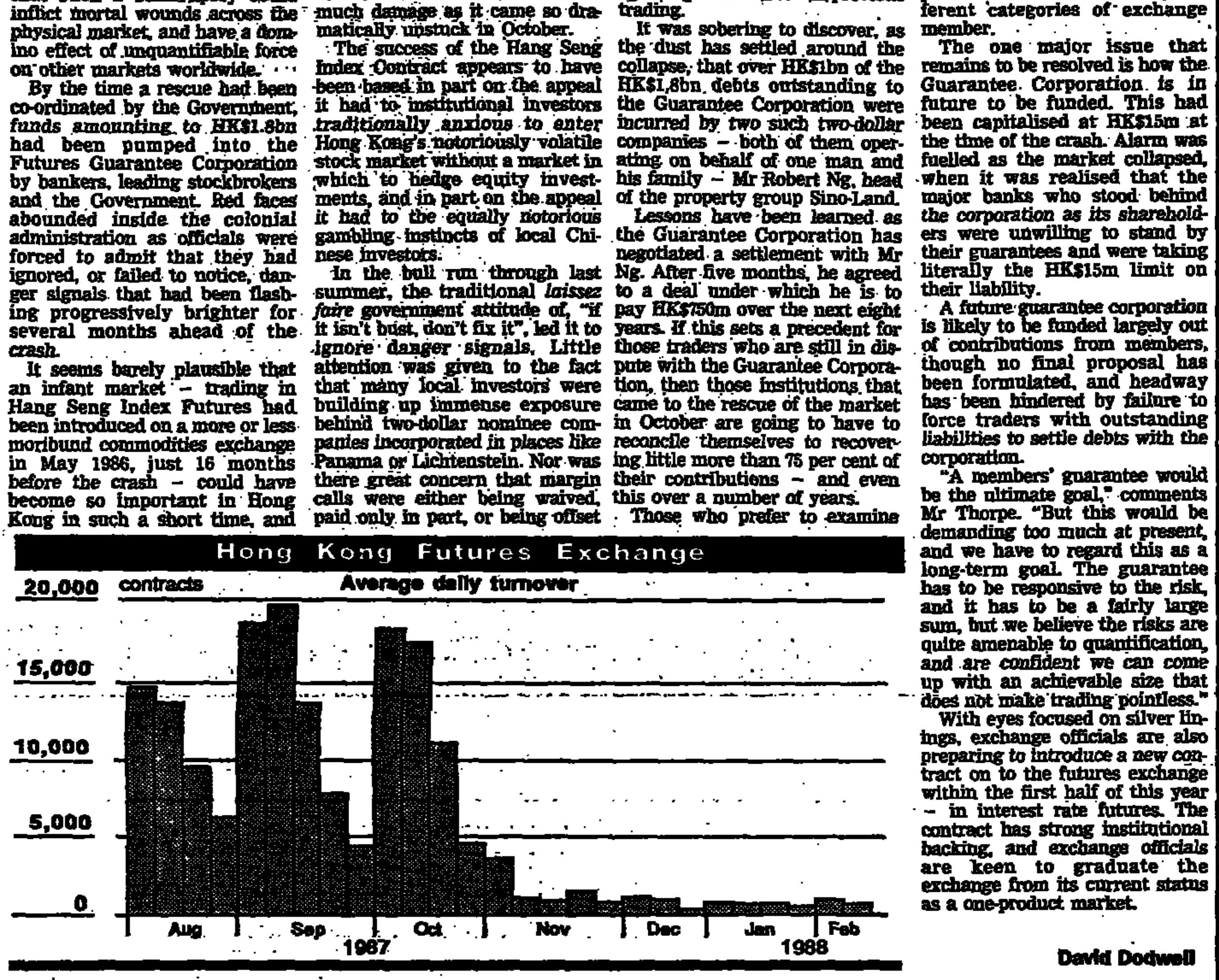
The one major issue that remains to be resolved is how the Guarantee Corporation is in future to be funded. This had been capitalised at HK$15m at the time of the crash. Alarm was fuelled as the market collapsed, when it was realised that the major banks who stood behind *the corporation as its shareholders* were unwilling to stand by their guarantees and were taking literally the HK$15m limit on their liability.

A future guarantee corporation is likely to be funded largely out of contributions from members, though no final proposal has been formulated, and headway has been hindered by failure to force traders with outstanding *liabilities* to settle debts with the corporation.

"A members' guarantee would be the ultimate goal," comments Mr Thorpe. "But this would be demanding too much at present, and we have to regard this as a long-term goal. The guarantee has to be responsive to the risk, and it has to be a fairly large sum, but we believe the risks are quite amenable to quantification, and are confident we can come up with an achievable size that does not make trading pointless."

With eyes focused on silver linings, exchange officials are also preparing to introduce a new contract on to the futures exchange within the first half of this year – in interest rate futures. The contract has strong institutional backing, and exchange officials are keen to graduate the exchange from its current status as a one-product market.

Coming up for air: in crisis week, a trader takes a break from the bustle of the floor



David Dodwell

Switzerland's new futures exchange

Soffex will eschew the ring's hurly burly

THE SWISS Options and Financial Futures Exchange (Soffex) missed its opening date of March 1, *but says it will be functioning* fully "in a matter of weeks".

The Board fixed no new date after being told at the end of February that some "minor" technical *difficulties, which had* appeared during the simulation phase, still needed to be ironed out.

Soffex's birth pangs are being studied very closely outside Switzerland, because, after long hesitation and debate about whether they even needed a futures market, the Swiss finally plumped in 1986 for a technically very ambitious project.

It is the first attempt anywhere to set up a fully computerised national exchange, integrating trading and clearing operations into a single automated system.

There is a paradox *here*. In modernising their trading in securities, the Swiss bourses have stuck devotedly to traditional, open outcry trading on the *exchange floor* as the price-setting market place.

For their futures market, however, they have eschewed the hurly-burly of the ring for an "electronic floor" covering the whole country, in which quotations are offered and orders executed by keyboard and screen.

All trades will be conducted through Soffex's computer, which will also act as a clearing house, *thereby, it is claimed, vouching* for the financial integrity of the exchange. Traders will have on-line access to the exchange from terminals in their own offices.

The exchange is a private enterprise jointly owned by the Zurich, Geneva and Basle bourses and the five big banks, Union Bank of Switzerland, Swiss Bank Corporation, Credit Suisse, Swiss Volksbank and Bank Leu. They commissioned Arthur Andersen and Company as project manager.

Equipping the exchange, excluding staffing costs, has cost some SFr65m ($47m), according to Mr Otto Naegeli, Soffex's managing director. To that must be added the back-office equipment charges incurred by some 50 exchange members.

Members have to comply with the Swiss Banking Act. About 40 of them will be members of the clearing house, 13 acting as general clearers entitled to handle *the trades of clients of non-clearing* members as well as their own and their clients' trades. Direct clearers can clear only their own and their clients' trades.

Clearers have to provide substantial guarantees, a minimum capital of SFr500m for the general clearers and SFr50m for the direct clearers. In addition, guarantee *deposits of SFr5m* are required from the general clearers and SFr1m from the direct clearers.

The safety net against financial failure by a member consists of, in due sequence, his deposit, his capital, *Soffex's own reserves*, and in the last resort the guarantee deposits of all other clearers. A transaction is guaranteed from the moment it has been matched *and cleared by the computer*.

Soffex has always envisaged a circumspect beginning with put and call options contracts initially being offered on only 11 *Swiss stocks. Those chosen are* the bearer shares of UBS, SBC and Credit Suisse, Nestle, Jacobs Suchard, Ciba-Geigy and Zurich Insurance. In addition, contracts will include the 1/10th certificates of Hoffmann-La Roche, the ordi*nary shares of Swiss Volksbank* and the participation certificates of Sandoz and Swiss Reinsurance.

A Swiss share index contract is planned as a second step, probably not before spring next year, and in a third stage financial futures will be introduced.

To help ensure liquidity on the market, Soffex will operate with contracts for only five shares, not the 100-share contracts common abroad. Four maturities will be quoted – the three months following the striking of the contract, and the nearest quarter end of the January-April-July-October cycle.

Preparation for Soffex has included the introduction of continuous trading for leading Swiss shares and a new Swiss shares index. The latter is planned eventually *to calculate prices* every three minutes and provide a foundation for contracts on selected indices.

No withholding tax will be deducted from investors' earnings on Soffex, and transactions *in options and financial* futures are exempt from Federal stamp duty.

Pressure from foreign institutional investors – and even from domestic fund managers – for Switzerland to match the instru*ments for trading in shares* options and futures provided by other financial centres was a key motivation for setting up Soffex.

According to Mr Naegeli, the fast and furious exit of most big foreign investors from the Swiss stock market last October has not changed this premise. After October, the Swiss who had favoured establishing Soffex are even more convinced of its value, *while those who opposed it have* still not changed their minds, he said.

Of the original applicants for membership, only one branch of a US bank has withdrawn, reportedly because the October crash brought to light some legal difficulties over its participation.

Nor does confidence in the new exchange, at least among the bigger members, appear to have been weakened by the teething problems that have appeared during the testing and simulation work that has been going on since January 1.

The initial technical difficulties were unsurprising in such a complex system, according to Mr Walter Ochsner, in charge at Credit Suisse; while Mr Ricardo Cordero, of UBS, considered that the system was already close to stability.

Mr Naegeli said simulation had demonstrated that the system worked, although it had not yet fully met specifications. The weak points had been identified and were being worked on.

William Dullforce

The Matif

Report likely to allay anxiety

NOTORIETY SEEMS to be a permanent feature of the French financial futures market. The two-year-old *Marché à Terme des Instruments Financiers* (Matif) has been a much bigger success than expected, with turnover of its long bond contract ahead of Liffe's long gilts most of the time and of the Tokyo government bonds for some of it. Those are the good days. Then came Black Monday. And now there is the Cogema-Buisson-Arbitrage scandal.

In December, the state-owned nuclear fuels company Cogema announced that it had lost FFr250m on its futures trades long before the summer frenzy that culminated in the October crisis. Since then, law suits have been filed, an international arrest warrant has been issued, and torrents of rumours, accusations and denials have given the affair a plot worthy of a sequel to the *film Wall Street*.

The Government is concerned that the damage might be wider than Cogema. The industry Ministry has questioned all state-owned concerns about their Treasury operations last year, and Finance Minister Edouard Balladur has threatened cuts in capital allocations in the case of inordinate risk on the Matif, and ordered an inquiry into whether the risks are adequately covered.

All this was before publication of an official report on the behaviour of the futures and options markets last October. The report, due out this month, is expected to echo the claims of the clearing house, the *Chambre de Compensation des Instruments Financiers de Paris* (CCIFP), that there was no excessive speculation, even though CCIFP chairman Gerard de La Martiniere conceded that *the Matif "helped anticipate"* the Paris market crash.

He asserted that excellent liquidity on the official market had demonstrated that overactivity was "more apparent than real", and that the Matif had behaved remarkably well. Trading was suspended only temporarily when price movements reached their daily limits.

Regulators and traders alike concur that neither crisis nor scandal must be allowed to jeopardise the growing array of financial products offered in Paris if the city is to become the leading centre of continental Europe. A balance must be found between over-regulating, which would drive business away, and leaving investors and operators without adequate protection.

Volume has dropped recently, however. According to Nathalie Rachou, managing director of Carr Futures International, an Indosuez subsidiary, some big corporate names have pulled out of the market and others have reduced their activity. Jean-Francois Conil-Lacoste, financial markets director of the brokerage Ferry-Ferry-Germe, adds that optimism on interest rates has reduced the need to hedge.

The regulators are taking steps to tighten the rules and improve market protection. *Date stamping* on arrival and execution have been compulsory for futures orders since mid-January, which should help eliminate the allegedly common practice of switching orders. Matching has been banned for options on the long bond future, listed in January, and will be soon for the futures themselves.

A second category of clearing member will be introduced; capital requirements will be increased significantly; locals, individuals dealing on their own account, will be allowed on the floor. And some OTC trades are being registered by the CCIFP.

New products are on their way to add to the 10-year bond and 90-day Treasury Bill (TB). Plans are to launch a contract based on the three-month Paris Interbank Offered Rate (Pibor), which would fulfil the need to hedge short-term positions that the TB instrument never has. TB volume averaged only 499 contracts a day in 1987, compared with 47,687 for the long bond.

The problem has been heavy reliance on short-term instruments for funding, an illiquid TB cash market, and too big a spread between TB and Pibor rates. Futures and options on the Pibor are already traded OTC on a larger scale than official TB futures, market sources say. A European currency unit (Ecu)/dollar contract is also planned for this year, but is regarded with indifference by dealers, as forward cover is considered adequate for hedging and the Ecu has gained only limited currency so far.

By contrast, stock index futures and options, which should make their debut in September, are eagerly awaited. The underlying PI40 index of 40 issues, completed some time ago by the Stockbrokers Association, has been the object of a battle between the Matif and the much smaller traded share options market, the *Marché des Options Négociables de Paris* (Monep). Both claim the derivatives of the index belong to them, basing their arguments on such esoteric points as the definition of the term "securities". It now appears likely the Finance Ministry will *compromise* by giving the futures contract to the Matif and the option to the Monep.

No such arguments surround the question of whether the instruments should be created in the first place. Despite the controversy they have aroused in the US and elsewhere, the Government Commission, led by Daniel Déguen, chairman of Banque Hypothécaire Européenne, is leaning towards a listing as soon as possible. One motive is the imminent arrival of a competitive private electronic stock index *exchange from OM, of the Swedish* group Wallenberg, in partnership with Crédit Commercial de France.

Apart from the index, the Monep should be trading another six stock options on top of the present eight by the end of the year. Although nowhere near as *sensational as the Matif*, the Monep has had its share of changing fortunes during its six-months life. Opened a few weeks before the October turmoil, it closed for three separate days as computer bottlenecks prevented investors following their positions closely enough. The hardware has been improved subsequently and programming errors have been corrected, says Mr Raymond Lucas, *director of the Monep* clearing house, the Société de Compensation des Marchés Conditionnels (SCMS).

He rejects charges that the market makers did not do their job during the crisis. "They now account for 40 per cent of volume, only 2 per cent more than in October," he claims. Volume fell to a low of about 3,000 contracts a day in December, but has picked up sharply this year, reaching a record 17,000 towards the end of February.

The market trembled in January, when the London Stock Exchange introduced two French stock options, especially as institutional investors already had a much higher profile in London than in Paris. The anxiety is unfounded so far, and although individuals continue to dominate the Monep, institutionals are gradually starting to come in. Block trades are also building up.

There seems little doubt French *futures and options* are poised to help Paris realise its ambitions, but they will only succeed if enough is done and seen to be done to purify the market place and give it the integrity and transparency the authorities seek.

Barbara Casassus

Long bond contract "notionnel": monthly volume

	1986	1987
January		504,559
February		381,528
March	69,918	517,726
April	96,499	438,791
May	95,737	580,257
June	113,359	921,135
July	80,004	742,832
August	68,141	1,325,553
September	158,466	1,601,721
October	225,424	2,242,882
November	298,956	1,301,726
December	357,777	1,154,862

Source: CCIFP

October demonstrated the value of currency hedging instruments

Two ways to shield profits

IF THERE was one thing the October crash in equity markets reinforced in the minds of many corporate treasurers it was that financial markets can be extraordinarily volatile. More than that, it reminded them that the past is a poor guide to the future.

The subsequent fall in the dollar against most major currencies served only to drive home the lesson. It would have been a brave corporate treasurer who, at the beginning of 1987, acted on a belief that sterling would appreciate by nearly 27 per cent against the dollar.

More remarkable still was sterling's behaviour against the D-Mark. It appreciated by about 9 per cent over the year, all of which occurred during the first half of the year as the Government sought to cap its rise above DM3. A level of certainty has been added to trade with the Continent by this policy, but with the economic outlook more than usually clouded by the events of last *October a question remains over* its longevity.

Changes in the values of currencies can have large effects on the profitability of companies. In the cut-throat world of competitive tendering for overseas construction orders, for example, *smaller movements than the ones* described above could be enough to turn a profitable tender into a marginal proposition at best, or loss-making one at worst.

An indication of the effects of currency movements on corporate Britain was given recently when a *spate* of British companies announced that their profits and turnover figures would be and had been distorted by the movements of currency markets last year.

Glaxo, the UK pharmaceuticals group, said *exchange rate* movements disguised a 20 per cent improvement in sales during the five months of trading to the end of November last year. British *Aerospace* said every time the dollar moves a cent against the pound its pre-tax profits are affected by about £3m over the course of a year.

The effects of exchange rates are not confined to the heavyweights of British industry either. At the other end of the scale companies, such as Matthew Hall, have warned that 1987 profits will be materially affected by adverse movements in exchange rates, among others.

The corporate treasury function is still a relatively new phenomenon for British industry. Not many more than 10 years ago it was virtually unknown; today, while more widely accepted by senior management as an integral part of *managing a company's* financial affairs, it is still remains an "island" of activity somewhat removed from sales, marketing and production.

"At the beginning of an accounting period when costs are estimated companies should be *thinking about currencies*," Mr Graham Steward, managing director of Hambros Corporate Treasury Consultants said. "You may win an export order having quoted a competitive price, but if exchange rates move against you during the period then you may *find your profit eroded*."

There are essentially two ways of coping with currency risk: hedging through the forward foreign exchange market, or using currency options. The first is tried and true, the most well-known form or protection; the latter can often provide a far superior form of protection but, by its nature, can be seen as currency "speculation" as is there*fore still* frowned upon by some of the more conservative members of UK boards of directors.

The concept of speculation here is an interesting one, because doing nothing is in fact a form of speculation. One is simply hoping that a given amount of foreign currency *will translate* into a predicted amount of sterling at a given date in the future.

Taking out a forward foreign exchange contract is the most common form of hedging. Mr Martin Bralsford, of Premiere Foods, a biscuit manufacturer, said recently the forward market could be helpful in the purchase *of capital items*.

"If you are buying a capital item, like a machine from West Germany, which is going to generate sterling cash flow, then a straight purchase in the forward foreign exchange market is probably the best way. Then you have crystallised the cost which can be offset against your sterling cash flow."

The forward markets are not, however, much use for a company dealing with the unknown, such as a contract tender. By tendering, the company may have a future currency obligation, but because it may not be successful in winning the contract it could *be locked into a binding contract* to purchase a given amount of foreign currency.

In this case, many companies are using currency options. They give the user the right to buy (or sell) a currency at a pre-determined date in the future, but the right carries no obligation to do so. If the company is successful then it has covered its contingent costs at a pre-determined rate; if it fails to secure a contract then it can allow the option to fail.

Their use is not confined to these narrow applications. An expected receipt of income or a predetermined payment could also be covered by options. In these cases the company has the best best of both possible worlds.

If it is receiving dollars, then it has the choice between the price at which the option is exercisable or the one prevailing in the market at the time. Losses can therefore be minimised while allowing the company to take advantage of any profits which present themselves.

Options do, however, carry a cost. This varies, but typically it is about 2 per cent to 4 per cent of the amount being covered. It is this cost, which can build up to quite sizeable proportions, that makes many senior executives baulk.

The European subsidiary of Hertz, the US car rental and leasing company, has been using options since 1984. Mr Michael Bryant, treasurer of Hertz *Europe, said recently* that internal studies he has done show options have proved to be the best solution for managing his company's foreign currency exposures.

"They are a consistent way of getting the best of both worlds; we cover ourselves but don't deny ourselves any upside potential," he said.

Mr Bralsford, of Premiere Foods, agrees: "One can't say if currency options are good or bad. If it's important that you stay competitive with others, then options can be attractive. You can never be more behind the market than the cost of the premium."

Currency options can be purchased on a stock or *commodity* exchange – such as the Philadelphia Stock Exchange or Chicago Mercantile Exchange – which trades in them or through a bank. The volume of options traded on exchanges has risen sharply over the past year.

On the Philadelphia exchange, which has the largest currency options trading share of all markets, the number of daily contracts traded last year was 41,445 compared with 39,480 in 1986 and 14,830 in 1985.

The drawback for companies wanting to use stock exchange options is that they are standardised (the sterling contact on the Philadelphia exchange *is for* £12,500 in terms of dollars) and expire at pre-determined periods throughout the year (March, June, September and December). Neither the size of the contract or the period of maturity will always coincide with a company's cash flows or needs.

Options provided by banks are usually more expensive but some companies find them more attractive because they are tailor-made to fit size of any *maturity structure* of cash flows.

Simon Holberton

A pendulum over the pit

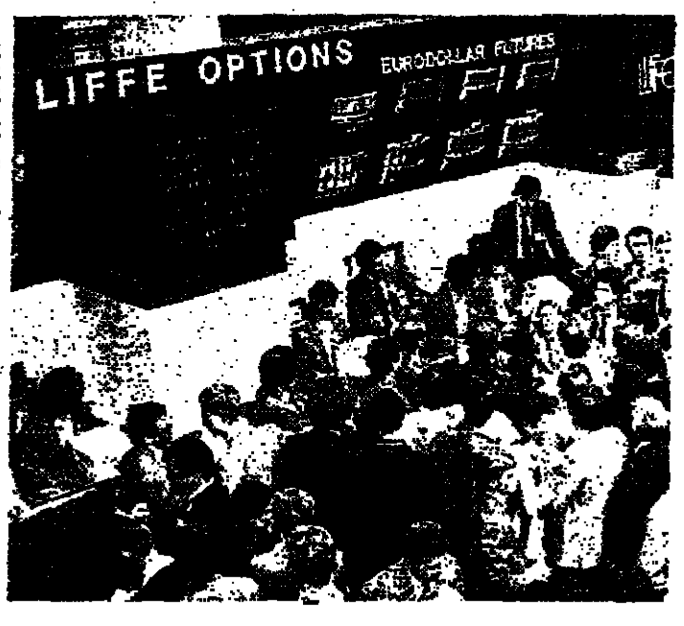
Continued from page 1

exchanges have been striving to find the best way of trading around the clock. The fashion for forging links with exchanges in *different time zones has, however*, faded. What links there are have been flops. Other negotiations have become hopelessly bogged down.

The desire for links has been undermined by the tendency for futures markets outside the US to *build by far the greatest liquidity* in their own domestically based contracts, especially in government bonds, because they have an active parallel cash market. The scope for liquid 24-hour markets in instruments other than currencies at present seems limited.

Two US exchanges have attempted to capture foreign *interest in their contracts* by having night trading sessions, which have proved quite successful. By contrast, the Chicago Mercantile Exchange has struck an agreement with Reuters on a screen-based market outside its normal trading hours. If this takes off, it *seems bound in its turn to under*mine the time-honoured "open-outcry" system of pit trading. In short, the pressures now at work could change futures markets for ever.

Contracts traded round the world



CHICAGO BOARD OF TRADE
Futures: Corporate Bond Index $1,000xIndex, Institutional Index $500xIndex, Major Market Index $250xIndex, Municipal Bond Index $1,000xIndex, Treasury Bond $100,000, Treasury Note $100,000.
Options on Futures: Municipal Bond Index, Treasury Bond, Treasury Note.

MIDAMERICA COMMODITY EXCHANGE
Futures: Treasury Bond $50,000, Treasury Bill $500,000, British pound £12,500, W.German Mark DM62,500, Japanese yen Y6.25m, Swiss franc SFr62,500, Canadian dollar C$50,000.

CHICAGO MERCANTILE EXCHANGE
Futures: Standard & Poor's 500 Index $500xIndex, 90-day US Treasury *Bills* $1m, Eurodollar Time Deposit $1m, Swiss franc SFr125,000, Australian dollar A$100,000, W.German Mark DM125,000, Canadian dollar C$100,000, *British pound £25,000*, Japanese yen Y12.5m, French franc Ffr250,000, European Currency Unit Ecu125,000.
Options on Futures: Standard & Poor's 500, 90-day US Treasury Bill, Eurodollar Time Deposit, Swiss franc, W.German Mark, British pound, Japanese yen, Canadian dollar, Australian dollar.

CHICAGO BOARD OPTIONS EXCHANGE
Options: Standard & Poor's 100 Index $100xIndex, Standard & Poor's 500 Index $100xIndex, US Treasury Bonds $100,000, US Treasury Notes $100,000.

NEW YORK FUTURES EXCHANGE
Futures: NYSE Composite Index *$500xIndex*, CRB *Index* $500xIndex, Russell 2000 Index, Russell 3000 Index.
Options on Futures: NYSE Composite Index.

NEW YORK STOCK EXCHANGE
Options: NYSE Composite Index $100xIndex.

PHILADELPHIA STOCK EXCHANGE
Futures: National OTC Index $500xIndex, British pound £25,000, Canadian dollar C$100,000, W.German Mark DM125,000, European Currency Unit Ecu125,000, Swiss franc SFr125,000, French franc FFr250,000, Japanese yen Y12.5m, Australian dollar A$100,000.
Options: National OTC Index $100xIndex, Value Line Composite Index $100xIndex, Utility *Index $100xIndex, British* pound £12,500, Australian dollar A$50,000, Canadian dollar C$50,000, W.German Mark DM62,500, Swiss franc SFr62,500, European Currency Unit Ecu62,500, French franc FFr125,000, Japanese yen Y6.25m.

PACIFIC STOCK EXCHANGE
Options: FNCI Composite Index $100xIndex.

AMERICAN STOCK EXCHANGE
Options: Major Market Index $100xIndex, Institutional Index *$100xIndex, Computer Technology* Index $100xIndex, Oil Stock Index $100xIndex, 13-week US Treasury Bill $1m, 10-year US Treasury Note $100,000.

NEW YORK COTTON EXCHANGE
Futures: US Dollar Index $500xIndex, 5-year US Treasury Note $100,000, European Currency Unit Ecu100,000.
Options on Futures: US Dollar Index, 5-year US Treasury Note.

NEW YORK COFFEE, SUGAR AND COCOA EXCHANGE
Futures: Consumer Price Index $1,000xIndex.

KANSAS CITY BOARD OF TRADE
Futures: Value Line Index $500xIndex, Mini Value Line Index $100xIndex.

COMEX
Futures: Corporate Bond Index $500xIndex.

LONDON INTERNATIONAL FINANCIAL FUTURES EXCHANGE
Futures: FT-SE 100 £25xIndex, Long gilt £50,000, Medium gilt £50,000, Short gilt £100,000, US Treasury bond $100,000, Japanese Government bond Y100m, Three month Eurodollar $1m, Three month sterling £500,000, British pound £25,000, dollar/Mark *$50,000*, W.German Mark DM125,000, Swiss franc SFr125,000, Japanese yen Y12.5m.
Options: British pound, Dollar/W.German Mark.
Options on Futures: FT-SE 100 Index, Long gilt, US Treasury bond, Three month Eurodollar, *Three month sterling*.

LONDON STOCK EXCHANGE
Options: FT-SE 100 £10xIndex, Short gilts £50,000, Medium gilts *£50,000, Long gilts £50,000, US dollar* £12,500, US dollar/W.German Mark DM62,500.

EUROPEAN OPTIONS EXCHANGE
Options: EOE Dutch Stock Index Fl 100xIndex, American Major Market Index US$100xIndex, Dutch Government Bonds Fl *10,000, US dollar/guilder* $10,000, British pound/guilder £10,000.

MONTREAL STOCK EXCHANGE
Options: Canadian Government *bonds C$25,000, 91-day Canadian* Treasury bills C$250,000.

TORONTO FUTURES EXCHANGE
Futures: Toronto 35 Index C$500xIndex, TSE 300 Composite Index C$10xIndex, TSE Oil and Gas Index C$10xIndex, Long term *Canadian Government* bond C$100,000, 91-day Canadian Treasury bills C$1m, US dollar US$50,000.
Options: Toronto 35 Index, Canadian Government bonds.

SYDNEY FUTURES EXCHANGE
Futures: All Ordinaries Share Price Index A$100xIndex, 90-day bank *bills A$500,000, 10-year* Commonwealth Treasury bonds A$100,000, US Treasury bond US$100,000, Eurodollar deposit US$1m, US dollar A$100,000.
Options: *All Ordinaries Share* Price Index, 10-year Commonwealth Treasury bonds, 90-day bank bills.

NEW ZEALAND FUTURES EXCHANGE
Futures: Barclays Share Price Index NZ$20xIndex, five-year Government bonds NZ$100,000, *90-day bank bills NZ$500,000*, US dollar US$50,000.

SINGAPORE INTERNATIONAL MONETARY EXCHANGE
Futures: Nikkei Stock Index Y500xIndex, Eurodollar US$1m, Japanese yen Y12.5m, W.German Mark DM125,000, British pound £25,000.
Options on Futures: Eurodollar, Japanese Yen, W.German Mark.

PARIS – MATIF
Futures: 10-year French Treasury bonds FFr500,000, Three-month French Treasury bills FFr5m.
Options on Futures: 10-year French Treasury bonds.

TOKYO STOCK EXCHANGE
Futures: 10-year Japanese Government bonds Y100m.

OSAKA STOCK EXCHANGE
Futures: 50 Share Index (based on a basket of 50 leading shares).

HONG KONG FUTURES EXCHANGE
Futures: Hang Seng Index HK$50xIndex.

SWEDEN'S OPTIONS & FUTURES EXCHANGE
Futures: SX16 Share Index SKr100xIndex.
Options: SX16 Share Index.

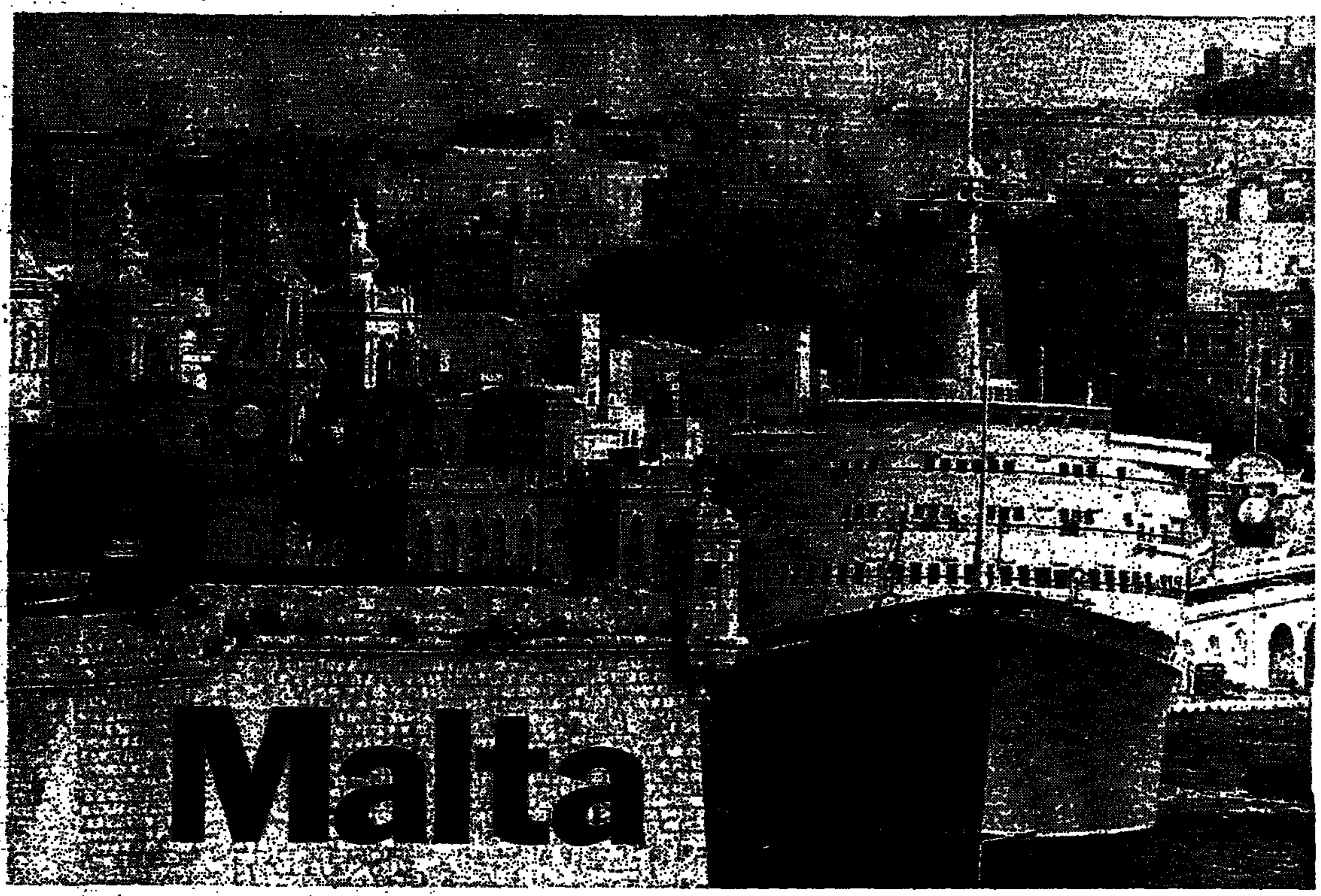
STOCKHOLM OPTIONS MARKET
Options: OMX Stock Index SKr100xIndex.

□ *The list excludes individual equity options and all gold and silver contracts. The list aims to provide a full, but not comprehensive, record of contracts currently available.*

SECTION IV

FINANCIAL TIMES SURVEY

Unity is the watchword of the new Nationalist Government, as Malta makes efforts to attract foreign investment and, at the same time, maintain its policy of non-alignment. The mood is optimistic, though much will depend on the performance of the economy, writes **Richard Evans**



The Grand Harbour, Valletta

Contents

Adjustment to consensus

AFTER DECADES of divisive and occasionally violent politics, the new Nationalist Government of Malta is advocating policies of unity and conciliation. It is an unfamiliar experience for the Maltese and it is taking time for them to adjust.

The election results last May produced the most significant change in Malta's political scene since the island became a republic in 1974.

Out went the Socialists after 16 years of uninterrupted power and in came the Nationalists, untried and inexperienced after so long in the wilderness.

It was a dangerous time for the country and its democratic process. The result was almost a carbon copy of the previous 1981 election when the Nationalists won a narrow majority of the popular vote but Labour retained power because of a quirk in the system of proportional representation.

To prevent a repetition, legislation was passed last year to ensure that whoever gained a majority of votes automatically won power, but in Malta's hothouse politics there were grave doubts about whether the deal would hold.

In the event, to the credit of both the Nationalists and Labour Party leaderships, the transfer of power went remarkably smoothly. The gunshots heard were fired more in exuberance than in anger.

Malta had embarked on a new era and although it is too early to make judgments, the outlook is one of cautious optimism.

Caution is necessary because of the country's recent history. The English-style pubs and the red George VI letter boxes deceive. The crucial fact about Malta is not its adoption of many British institutions but its proximity to both Sicily and Libya. Its turbulent politics reflects that fact.

Politics is conducted with the fierce intensity of a family feud, with villages, factories, football teams and even households deeply split by party loyalties.

The party in office rules absolutely and senior politicians and officials have tremendous powers of patronage. The Maltese have come to expect preferment in jobs, in the granting of various licences and in the allocation of housing to be based on political loyalty and service.

Hence when Dr Eddie Fenech Adami, the Nationalist Party leader for 10 years, became prime minister last May he was prepared for the inevitable demands from his supporters for the alleged discrimination of the last 16 years to be redressed and for them to have their turn.

This has not happened on any scale and it has led to some bewilderment and antagonism. "There are a lot of people who grumble that we are not delivering, but they are slowly coming round to our arguments," Dr Fenech Adami said in an interview in Valletta's magnificent parliament building.

"It is a long process of persuasion, but it is essential to get the maximum degree of consensus if Malta is to be stable and to attract foreign investment. We have managed to steer a course that has not provoked confrontation, but Malta now has a new sense of direction."

The country that Dr Fenech Adami inherited was largely the creation of the charismatic Mr Dom Mintoff, Labour prime minister from 1971 to 1984, whose name became synonymous with Malta because of his high profile, confrontational politics and abrasive style.

In a series of interventionist moves domestically and an international strategy of neutrality and non alignment, he severed Malta from its colonial past. He was succeeded by his protégé, the calm and moderate Dr Carmelo Mifsud Bonnici, who followed the broad policies laid down by Mr Mintoff, but in a much more conciliatory style.

The result is a country dominated economically by the state, which controls all utilities, the banks and insurance, the drydocks and shipyard and broadcasting and telecommunications.

In foreign affairs the non aligned-stance, now cemented into the constitution as part of the electoral reform deal with the Nationalists, resulted in a controversial treaty with Libya and close commercial ties with the Soviet Union and China as well as Western Europe.

Having lost her key strategic position in the Mediterranean to new defence technology, Malta learned skilfully to play off East against West and North against South. The aim was to obtain investment from whatever source.

Dr Fenech Adami will not put these policies into reverse despite his pro Western attitudes. He favours the continuation of a neutral, non aligned policy and seeks to retain good, if more detached, relations with nearby Libya.

"The thrust of our foreign policy is credibility. I don't want Malta to gravitate in the orbit of one country or another. I don't want the island to play an international role disproportionate to its size. I don't want to lose friends... I want to make new ones," he said.

Ultimately his objective is to take Malta into the European Community, although he admits this is a long term aim. "We have never said we would do it overnight, but it gives Malta a sense of direction."

Similarly, on the economic front, the target is Europe. A campaign to persuade industrialists and businessmen of the benefits of investing in Malta has been launched, aimed initially, though not exclusively, at the UK, West Germany and Italy.

The Maltese economy relies heavily on tourism and on industries like shipbuilding and the drydocks launched in the Mintoff years. The government's intention is to widen the base by finding new niches in areas like light manufacturing, up market clothing and footwear and automobile spare parts. But for these it needs foreign investment.

There is a longer-term proposal, to be backed by legislation later this year, to make Malta a centre for offshore banking and financial services, insurance and shipping. But for this to be successful, there needs to be a rapid updating of the country's infrastructure, particularly telecommunications, and this has been put in hand.

Dr Fenech Adami's problem is that he and his party are firmly committed to private enterprise and a rolling back of the state, and in theory the stage was set last May for a Thatcher-type revolution. Given the make-up of the economy, however, and the Premier's desire for national unity, this is not feasible in the short term.

The state plays too dominant a role, employing 46 per cent of the working population. Given that there is an unemployment rate of around 7 per cent plus a great deal of over-manning and few alternative jobs in the private sector, Dr Fenech Adami has no alternative but to move slowly.

A major difficulty is that over the years the workforce has come to regard public sector employment as the ideal. Workers often have little responsibility, they are under-employed and often manage a second job in the flourishing black economy.

The situation was exacerbating in the months before the election when Labour took several thousand workers into the public service in order to get them off the dole. The government is finding it difficult to get rid of them without being accused of political victimisation.

The strategy is now twofold: first to continue to develop the training programme launched by Labour to ensure that Malta has an efficient workforce, and to form an auxiliary workforce from the unemployed to help upgrade infrastructure, works and services. The second is to promote an environment more favourable to private enterprise.

"We intend to promote a free market policy as much as possible... I think there will be a switch back to the private sector," said Dr Fenech Adami. "We need to motivate people again, but it will inevitably be a slow process."

That process has begun on a range of fronts, including the gradual dismantling of the bulk buying system through which the government controls imports (and when dispensing licences opens the door to corruption). Five out of 20 products have so far been taken off the list and more will follow, leaving the way free for private enterprise companies.

In the next few months there will also be a blitz on the long list of products that require an import licence.

A problem is that too much investment in recent years has gone into protecting local companies against foreign competition and into import substitution. Government support will now be given towards increasing efficiency and promoting exports.

So far, both the Labour opposition and the trade unions have adopted a remarkably low profile. "We are sensible enough to avoid confrontation and we believe in political and industrial stability in order to attract investment," said Mr Angelo Fenech, general secretary of the General Workers Union, Malta's biggest union.

Much depends on how the economy performs in the coming months. The government has abandoned the wages freeze which helped keep inflation at or near zero for several years. There could be difficulties if prices begin to rise.

But at present there is optimism. Mr Louis Farrugia, a leading businessman, sums it up: "The government is saying the right things and its message is beginning to get through. We can talk about investment at last."

Godfrey Grima on proposed constitutional reform

Politics that divide

A QUARTER of a century ago conservative political, religious and social groups on Malta mounted a campaign against the government of the late Nationalist Premier, Dr George Borg Olivier, to impede it from successfully negotiating independence from Britain.

There were fears that Nationalist and Labour Party supporters would plunge the island into a destructive struggle for power once the British walked out. Whilst these fears have proved unfounded, maintaining a well-oiled democratic system of government has proved a daunting task.

An island mentality which distrusts change is held to blame. The Malta Labour Party of the sixties suffered a number of electoral defeats at the hands of the Nationalists – as well as the then powerful ultra-conservative Roman Catholic Church – for promoting the development of a lay state.

Democracy went out of the window. The Nationalist Party bore the brunt of an uncompromising Labour government for most of the two decades which followed. Mr Mintoff, the former Labour Prime Minister, who influenced a radical change in Malta's traditional political, economic and social life between 1971 and 1984, left behind a trail of opposition complaints for displaying scant interest in governing by consensus.

For democracy these were acid tests. The Nationalist Party's claims that democracy was waning peaked with the perverse election result of 1981 which kept the Labour Party firmly installed in power after losing the majority vote. As political polarisation intensified, civil strife loomed.

Paradoxically, in 1986 it was Mr Mintoff who pre-empted a negotiated settlement to the dispute about which party was to govern – whether it should be the one backed by the majority, or the one which controlled parliament.

The deal proposed by Mr Mintoff eventually guaranteed for the Nationalists the right to govern if they got more than half the votes, whilst the Nationalists helped etch into the constitution Malta's neutral and non-aligned status and introduced a ban on foreign politicians aiding Maltese parties in an election year.

That accord, hammered out in January last year, saved democracy, says Premier Eddie Fenech Adami. As a result, the Nationalist Party, which polled more votes but won fewer parliamentary seats than Labour, was allowed to co-opt four additional MPs at last May's general election.

Valid as this hurried patchwork proved, the reforms showed how structurally weak the constitution is in providing Malta with long stretches of uninterrupted democracy. The key problem lies with the near total concentration of power still retained by the executive. Today both parties are on the look-out for long-term remedies.

Both parties are on the look-out for long-term remedies

Solutions may be found in constitutional reforms proposed recently by an all-party parliamentary select committee. These revolve around giving Malta's mostly nominal presidency wider powers. The substantial change this would bring to Malta's political life took many by surprise when the reforms were leaked to the press.

Premier Fenech Adami is none the less willing to play his part. "True, the suggestion is that the prime minister gives up some of his powers. If this will achieve increased national unity I am all for it."

One of the suggestions is to shield major institutions – including the courts, broadcasting, the civil service, parliament, the electoral process, national security and the island's neutral status – from the political debate by weening them away from day-to-day government responsibility.

Most would come under the control of a new council chaired by the President. The State Council, which would include the Prime Minister and the Leader of the Opposition, would act as watchdog over the constitution and ensure that democratic rights were upheld. Heads of various existing institutions, including the electoral commission, the broadcasting authority, and the employment commission, would be named by the State Council, not the Prime Minister.

The Council would guarantee key constitutional provisions were safeguarded, whichever party was in power. Whenever consensus between the Prime Minister and the Leader of the Opposition was lacking, the President would have a casting vote.

A defence council, which again the President would chair, would draft Malta's defence policies and chart the island's needs. This would largely be done by defence chiefs and government leaders. To distance further the courts from the government, a Council of Justice, chaired also by the president, would administer judiciary affairs.

The new President would be installed by a two-thirds majority vote in parliament. An alternative, if this fails, would be a nation-wide poll. The committee's report has been distributed to both parties for their comments. The Nationalist Party, it seems, feels other constitutional reforms, pledged during the election, should be covered.

At face value, the proposals seem to take much for granted, in particular that whoever moves into such a vastly refurbished presidency will be skilled in the art of maintaining a happy balance between the two parties. There is the presumption the incumbent will not interfere unnecessarily in the workings of government. A more powerful president may be able to keep party leaders under a tight reign, but could this work with independent bodies like trade unions and pressure groups?

"These are preliminary suggestions," explains Justice and Interior Minister Dr Guido de Marco who heads the parliamentary select committee. "We have taken a first step which the parties will approve or change. The truth remains that this island has been divided for far too long. The time has come to avoid confrontation."

Much also depends on the personality of the president – will the job go to Mr Dom Mintoff? "Mr Mintoff has as much chance as anyone else over the age of 45 as stipulated by the constitution. It will have to be someone with the ability to unite the country," answers Premier Fenech Adami.

Malta has neither ethnic nor religious frictions – it is the passion for politics which divides. While politicians might feel democracy is best guaranteed from the pinnacles of power, an alternative would be strong but less powerful government.

The economy

An envious eye on Mrs Thatcher's axe

THE NATIONALIST Government has inherited an economy that has performed reasonably well in the last couple of years. But a switch of emphasis is required that will make Malta less dependent on a limited number of industries, like tourism, and attract more sorely-needed foreign investment.

The underlying problem facing the Government is that the economy is dominated by the public sector, which generates about 40 per cent of the gross national product and employs 46 per cent of the work force.

Directly or indirectly, the government controls Malta's utilities, airline, shipping line, ship repair yards (the biggest single employer) and many factories and hotels.

The state also controls banking, insurance, telecommunications and television and radio.

"Malta has a structural problem that has to be overcome. Basically, the Government is in favour of private enterprise, but it can't afford to dislodge the huge public sector work force," says Prof Edward Scicluna, economist at the University of Malta.

Mr Anthony Galdes, Governor of the Central Bank, agrees: "It is a very difficult political issue. Some industries are very heavily subsidised and I do not think we can run on subsidies forever."

Malta's Prime Minister, Dr Eddie Fenech Adami, would dearly like to grab Mrs Thatcher's axe and wield it energetically, but this is not practical politics in Malta.

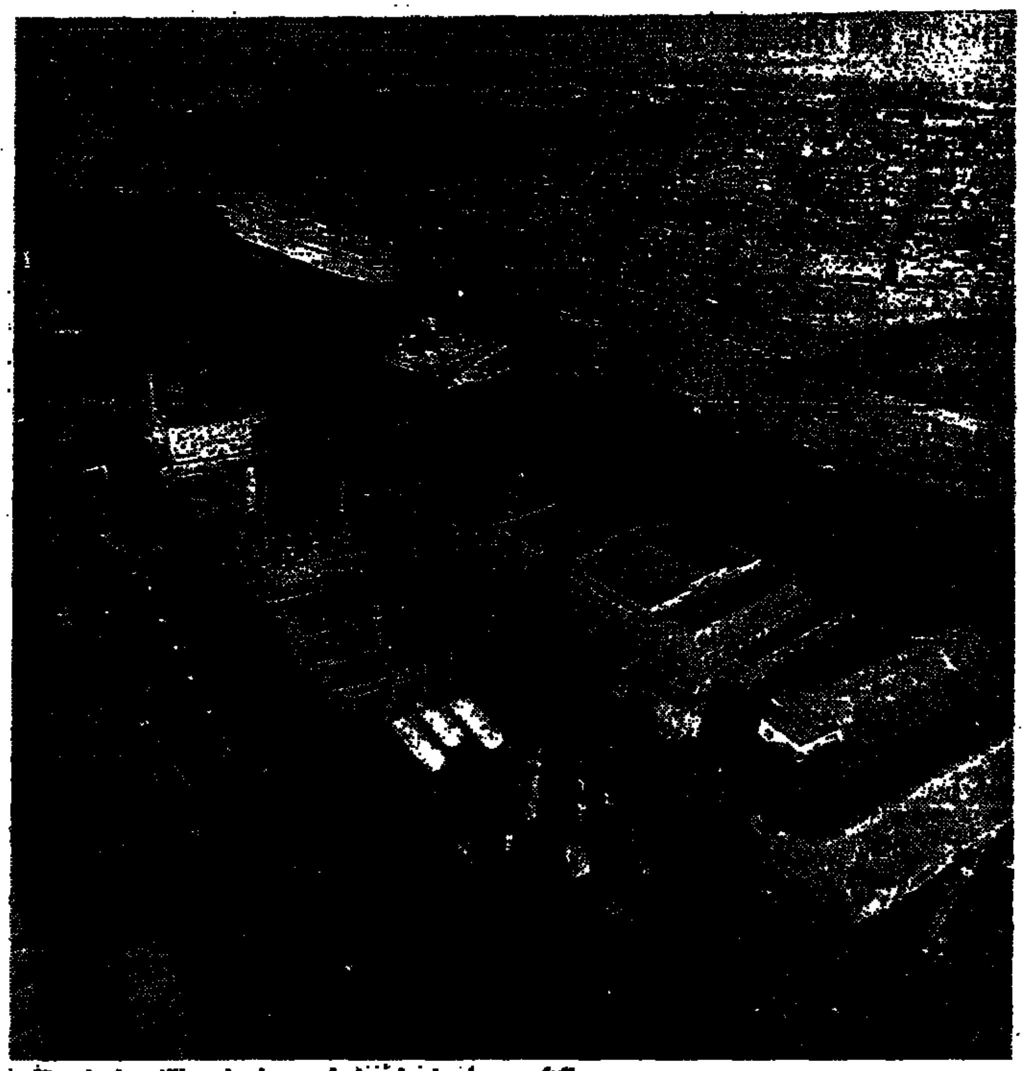
The Nationalists are committed to some liberalisation and rolling back of the frontiers of the state, but it will be limited, certainly in the next few years.

The most that can be expected is an increased emphasis on Malta's private sector, ostracised in the years of Dom Mintoff's premiership, in order to make it more competitive and export-orientated, together with an energetic campaign to attract more investment.

This was spearheaded recently in a series of visits to London, Frankfurt and Milan by Mr John Dalli, Industry Minister, and Mr Michael Soler, chairman of the Malta Development Corporation, to set out the advantages of Malta for foreign industries.

They launched a package of industrial incentives, including a 10-year tax holiday, soft loans, subsidised factory space and start-up assistance. "We can be to Europe what Florida is to the northern USA," said Mr Soler.

The underlying aim is to narrow the growing trade gap – last year Malta imported LM380m worth of goods, and exported LM208m – and to create more jobs.



The docks still make losses but order books are full

The unemployment rate hovers around 7 per cent, which is reasonable compared with many European countries, but it hides a high degree of overmanning in the public sector.

"In the long term, we have to change the image of Malta and ensure it is on everyone's shopping list. It has inherent advantages of an efficient work force, the universal use of English, and a key geographic position," says Mr Dalli.

The target over the next five years is to create between 5,000 and 10,000 jobs, mostly in export-orientated and service industries. Possible niches that have been targeted include high fashion and footwear, small electrical goods, automotive spare parts, and hospital products.

"There has been stagnation in investment for export industries in recent years," says Mr Dalli. "The only investment has been in goods for local consumption and an import substitution."

Now things are slowly beginning to change. "We feel the climate is now conducive for industry to think realistically about investing," says Mr Joseph Grioli, President of the Federation of Industries.

One prospect being followed energetically by the Government is to turn Malta into an offshore base for banking, insurance and shipping services, company trading and management trusts. Chase Manhattan is preparing a feasibility report and enabling legislation is due in the autumn.

This should not only generate more employment, but could be a catalyst for attracting other service industries to Malta. But before this can be a realistic proposition, Malta's creaking infrastructure has to be improved and this is now the top economic priority, particularly the development of a modern telecommunications system.

The previous Labour Government of Dom Mintoff sought in the 1970s and early 1980s also to improve Malta's infrastructure by developing ambitious projects, such as the container port at Marsaxlokk, the new shipbuilding yards at Marsa and a massive grain silo at Valletta.

These, together with the drydocks at the former Royal Navy facilities in Valletta's Grand Harbour, were regarded by the Nationalists as white elephants unsuitable to the economy of tiny Malta, but the new Government has had to come to terms with them.

In fact, all are doing or have hopes of doing tolerably well. The drydocks, run by a workers' council under chairman Mr Sammy Meilaq, employs 4,500 and has increased productivity considerably in the last few years.

The docks still make losses because of the cutthroat international competition, but order books are full. Mr Meilaq is seeking Government financial support and a complete restructuring in forthcoming talks with Ministers. These will provide a test case of how the Government intends to handle key state sector industries.

The grain silo has recently attracted business after looking the biggest white elephant of all, and there are ambitious plans for the container terminal.

Mr Marin Hili, director of a shipping agency, has been drafted in to drum up business. The area has been turned into a free port and industries like packaging and processing are planned for its hinterland. There are also embryo plans for an oil terminal.

Overall prospects for the economy remain cloudy, however. On the favourable side are the smooth change-over of power after the elections, and the stability this has brought, the increased confidence among industrialists, as the Government cautiously switches economic priorities, the good prospects for more foreign investment, and the non-confrontational attitude of the trade unions.

But the Government has abandoned the wages freeze imposed by Labour in 1984, which has helped to keep inflation at zero or below 1 per cent. There have also been the first in a series of moves to abandon the vast bulk-buying edifice erected by Labour and to liberalise importing procedures.

Richard Evans

Development

Telecommunications improvements vital

"WE CAN'T expect serious investment without solving our infrastructure problems," says a leading Maltese businessman. It is a realistic assessment that sums up Malta's problems.

The island has a lot to offer the foreign industrialist and businessman – excellent financial incentives, spare labour capacity and a willing work force, and a key geographical position between Europe, North Africa, and the Arab world – but there remains questions over its creaking infrastructure.

Efforts have been made to patch it up in the last few years, and some notable improvements have been made, but the Government recognises that the provision of better services must be given top priority.

There are three particular areas where swift action is being undertaken so that hopes of further substantial investment in Malta can be fulfilled. These are telecommunications, water supply and power.

Perhaps the most vital is telecommunications, where services have been poor after years of under-investment and a policy of make and mend. Ministers accept that the country's telecommunications services must be brought up to date rapidly, particularly if Malta is to fulfil its hope of attracting offshore financial services.

"The improvement of Malta's telecommunications system now has maximum priority," says Mr John A Sciciuna, chairman of Telemalta, whose corporation has tended to attract more criticism than any other state-owned enterprise.

The corporation, with advice from the International Telecommunications Union, is preparing a long-term development plan covering satellite links, microwave radio, more cable facilities, particularly with Europe, and packet switching systems for data links.

In the shorter term, there has been a blitz on maintenance because of the number of faults developing locally. The difficulty is that the ageing system is based on old-fashioned British Strowger equipment, on to which has been welded a range of Italian, French and West German electronic equipment.

The most modern digital equipment is to take over in the next few years, with priority being given to international links with Europe. The satellite earth station completed last year is being enlarged with circuits to the US and Algeria, which contributed much of the money.

Space has been booked for further satellite links to Northern Europe, and the microwave link through Sicily is being expanded. Links with the UK are being increased via a cable through France, which should end the frequent delays in calls via Italy.

"Any commercial enterprise looks at telecommunications as its major link with the outside world. We have had limited exchange capacity and overcrowded routes, but this will now change," says Mr Sciciuna. "We have mapped out our route and we are on our way."

The difficulty with water supply is a lack of natural rainfall and the tourist peak in the summer, when the population of Malta, normally 340,000, is doubled. The island has no rivers and water is stored in reservoirs or obtained from bore holes and by the reverse osmosis process of desalination.

Mr Ninu Zammit, the Minister in charge of water and industry, claims that the last administration had allowed water supplies to go down alarmingly and too much water had been taken from bore holes, giving it high salinity.

There were no cuts last summer, despite low rainfall, and further plans are in hand to ensure supplies this year. An alarming loss rate approaching 50 per cent from reservoirs and pipes has been cut back to 40 per cent, more bore holes have been dug and the capacity of reverse osmosis plants increased. "The aim is to give really good water to everyone by 1991," says Mr Zammit.

The generation of more electricity has become one of the most divisive political issues because of plans to site a new power station in the south of the island. The original site had to be abandoned because it was too near the extended flight path of Luqa airport, and Mr Zammit's new proposal is meeting fierce opposition from environmentalists and political opponents. A final decision is expected from Parliament imminently.

"We desperately need a big new power station or we would have no spare capacity after 1990," says Mr Zammit. The station will be built in three stages, the first costing LM80m, and it will be capable of being both coal- and oil-fired.

The other major concern of the Government is the development of the tourist industry, which needs a general upgrading of services. More hotels are being built, particularly in the higher grades, and golf courses and yachting marinas are planned.

A big problem is Luqa airport to the south of Valletta. On the site of an old World War II RAF fighter station, it is now badly outdated and overcrowded in summer.

AirMalta, the state-owned flag-carrier launched in 1973, doubled profits last year to LM3.5m because of the surge in tourism and results should be as good this year.

AirMalta plans to fly up to 70 charters a week out of 16 UK regional airports this summer, supplementing a peak of 19 scheduled flights a week out of London's Heathrow and Gatwick. In addition, there are scheduled AirMalta services to Italy, France, West Germany, Switzerland, Holland and North Africa, as well as daily scheduled flights by BA, other national carriers, and charter companies.

"We are basically a tourist airline and we have got to have maximum utilisation of our fleet of 10 Boeings," says Mr Albert Mizzi, the forceful founder chairman of AirMalta.

All this puts immense pressure on Luqa and there are plans to build a new LM10m terminal within the next two years. It will be capable of handling 2.5m passengers a year, more than enough for Malta's immediate needs.

In the meantime, the inadequate facilities are being improved with air conditioning, a new luggage carousel and better duty-free facilities. It should give a much better initial impression to the visitor to Malta.

Richard Evans

Incentives are being offered to attract industry

High technology bid

A NEW incentives package launched recently by the Government is beginning to whip up interest in Malta's attractions as an industrial base.

The more generous offers include 10-year tax holidays, tax rebates on additional export profits, export promotion allowances, soft loans and training grants.

Profits reinvested in industry will continue to benefit from tax reductions, a stock of government factories is in hand, fiscal concessions will be awarded on depreciation, while machinery will still be allowed onto the island duty free.

Reactions so far have been encouraging and a youthful and energetic investment promotion team led by Mr John Dalli, Industries Parliamentary Secretary, is buoyed by the prospects of seeing foreign industry investments pick up once again.

"The feedback we got in the countries we visited was superb. The feeling is that Malta is in the running again," Mr Dalli enthuses.

On balance, Malta's bid to industrialise has had success over the past 20 years. More than 400 industrial companies, with investments from West and Eastern Europe, the US, Middle East and North Africa each year turn out LM186m (£1,319m) worth of textiles, footwear, processed foods, chemical products, metal goods and printed matter for export.

The bulk of it goes to the EC which picks up more than 68 per cent of Malta's shipments. West Germany, which has set up 41 factories on Malta, maintains a lead as the island's foremost trading partner.

Factories, spread out on five custom-built industrial estates which provide 22,050 jobs, are again stepping up the demand for labour. Textile firms alone, according to the Federation of Industry, could immediately take on an additional 800 workers.

Despite its popularity as a profitable industrial base, Malta never quite joined the charmed circle of developing countries which today host high technology – for the new government this is an area to which attention is being given.

Premier Fenech Adami says: "The incentives package seems to be working. One major Italian venture is expected to start operations here shortly."

The island's development corporation, headed by Mr Michael Soler, says eight serious inquiries from Italy are being considered. Ideally, Malta should try to attract hi-tech companies from the US. Interest so far has been tepid but a campaign is due to be launched there in the future.

Italian entrepreneurs have shown far more interest so far. This may be explained by the agreement, concluded by the previous administration with the former Italian premier Bettino Craxi. To help redress a large trade imbalance, Italy has set up a $12m fund with which to subsidise the rise of Italian factories in Malta.

As much as 70 per cent is given in grants, with the remaining 30 per cent offered as soft loans to Italians setting up in Malta.

Judged purely on its merits, Malta has much to offer investors. There are also urgent tasks to be taken in hand. Malta's major attraction is its highly trainable and responsible workforce.

Though it lacks a hinterland, the island is able to export its products to the EC without paying tariffs. The Government's eventual goal is to develop its association agreement with the EC into full membership. Countertrade deals forged with the Soviet Union and Libya have widened Malta's horizons further.

The new incentives package is aimed at trying to attract high technology industry which would otherwise remain based in Europe or go to the Far East. Producers of designer-branded semi-customised textiles, footwear and automotive parts and other added-value products are also being wooed.

Should the strategy work, Malta would have made a significant step forward in hosting high technology after attracting some years ago SGS-ATES, a successful Italian company.

It is, in the long term, the introduction of computer-run machinery which will make Maltese exports more competitive on world markets. However, there is also the urgent need to update parts of the infrastructure.

Electrical power supply, now stretched to the limit, must be bolstered with the building of a new plant which is due to be commissioned shortly. Telecommunications, which sometimes fail, are being speedily improved. It will be close to two years before all this begins to happen.

There is a need also to develop Malta's human resources. Industry complains that the standard of technical education at state trade schools does not meet its demands.

One of the first moves taken by Dr Ugo Mifsud Bonnici, the Education Minister, was immediately to improve the academic standard at state schools. The situation should get better once the Federation of Industry (FOI) goes ahead with plans to run its own apprenticeship scheme.

With industry on its way to a recovery, government is campaigning for people to fill productive jobs offered by industry instead of seeking the security of government jobs.

The Maltese need also to have a hard look at their banking industry which is not properly geared to support industrial ventures.

Mr Joe Tabone, chairman of the Bank of Valletta, agrees that banking should be increasingly liberalised from the clutches of existing legislation. "We are now operating more independently from the central bank but what the island needs is a venture bank. In as much as we can, we are training our managers to take the attitude of an entrepreneur."

State-owned banks are obsessed with having facilities backed with adequate collateral. Dr George Bonello de Puis, the Finance Minister, explains: "What I want to do is set up a venture bank with a capital of about LM6m. We have to get away from tradition. What we have is retail banking, which is not what industry needs."

Government must again study in depth the exchange rate of the island's currency, often blamed as the main culprit eroding export competitiveness.

The debate over a possible devaluation appears to have subsided for the moment but will no doubt be brought to the forefront by exporters in the future.

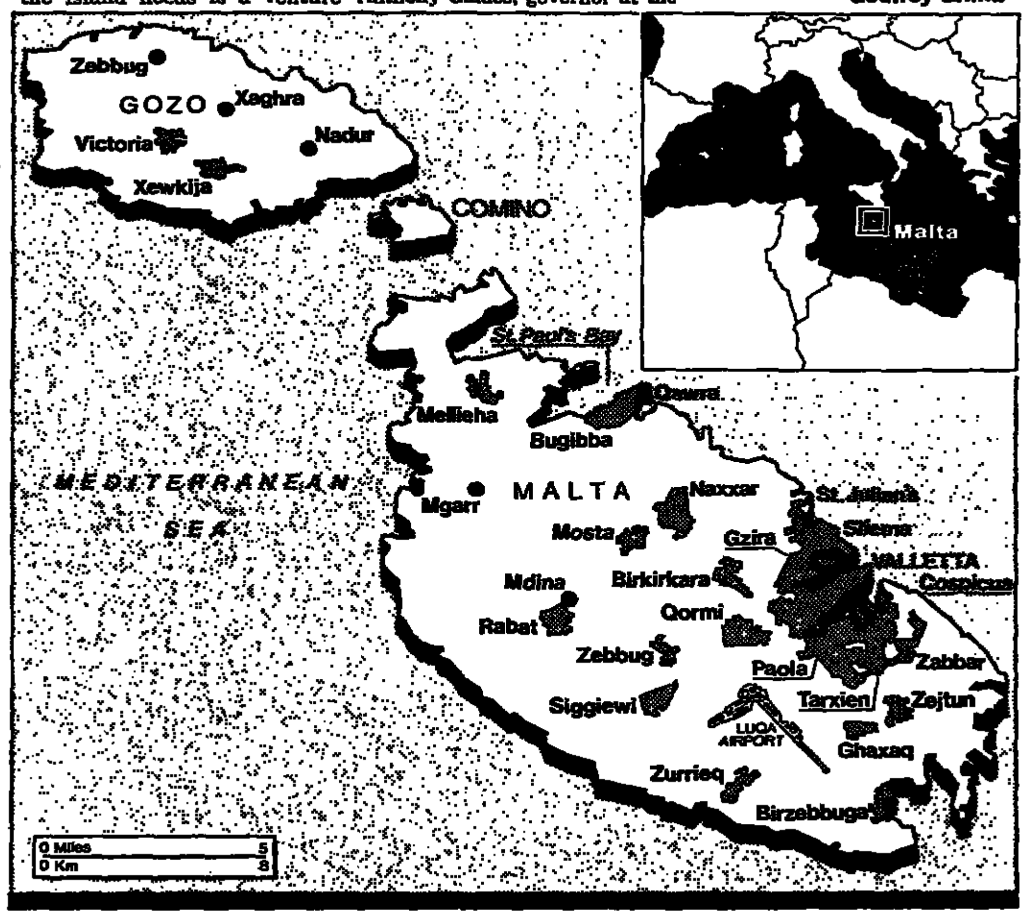
"I am not so sure our exchange rate is to blame," says Mr Anthony Galdes, governor at the island's central bank. "Very probably, there is no one single reason to explain drops in sales. I am not saying there should be no devaluation but clearly this is a complex issue which needs proper investigation."

A study commissioned by the Federation of Industry claims a 10 per cent devaluation will lead to a 5 per cent increase in the cost of living within 16 months.

Industrialists like Mr Louis Farrugia, who heads the island's only brewery, feel the change in government has created a more conducive climate for attracting industry. Others, like Mr Carmelo Farrugia, managing director at a German-owned textile factory, fail to see any change in substance. "What you have is the same act put on by a different company," he insists.

Clearly the enthusiasm with which the Government is trying to spruce up the island's image and enhance its chances of stepping up export receipts is visible enough. The present government is more than anxious to reawaken industrial investment after the lull under its predecessor.

Godfrey Grima



Godfrey Grima on how the Labour Party lost power

Violence and alleged corruption cost votes

THE LABOUR Party's marginal electoral defeat in May detracts nothing from its formidable position at the centre of the political stage, nor even the record of considerable political, economic and social breakthroughs made throughout 16 years of uninterrupted rule.

Dr Carmelo Mifsud Bonnici's own popularity and position as leader shows no sign of declining after the elections. Rank and file members are convinced it was Mifsud Bonnici who saved the party from a crushing defeat last year by shepherding back votes lost after the 1981 election.

What cost the Labour Party the election were two traps it should have side-stepped. There was first the widespread allegation of corruption among public officials, which the party never fully investigated. Just as damaging to its public image was the unchecked spread of political violence.

For the Nationalist Party, which lost three elections in a row in 10 years between 1971 and 1981, corruption and violence were issues its supremely organised electoral machine could ill afford to ignore. As a result, more time was spent by the Opposition on allegations of corruption and violence than on disputing its political and economic policies.

It is now up to the new administration to prove corruption was as widespread as it claimed. The task is already proving difficult, although no one disputes the fact that backhanders had become standard practice in obtaining certain government permits. According to Justice Minister Guido de Marco, evidence is very scarce. "Before we came into power people used to come to us with all sorts of stories, but when you asked them to provide hard evidence many were reluctant either because they were afraid of reprisals or they lost interest. The situation hasn't changed and unless we manage to put together adequate proof we shall not prosecute."

Anxious to bolster national reconciliation, the Government is careful not to appear to be behaving vindictively towards its predecessors unless, of course, primary evidence of corruption is unearthed.

The spread of violence, particularly in the run-up period to the general election, was another pitfall the Labour Party should have avoided. As Nationalist Party clubs were wrecked – a fate suffered by Labour Party clubs immediately after the May elections – opposition supporters were beaten up, the Archbishop's offices were ransacked, a young party supporter was gunned down and a Nationalist Party *outdoor rally was broken up by* police and Labour Party followers in December 1986. The Labour Party could not easily shake off the accusation it was using violence to stay in office.

Evidence from the courts, where the former commissioner of police is facing a homocide charge, would suggest most incidents were the result of individual initiatives rather than political instructions. Nevertheless, in order to win the moderate vote, the Labour Party should have ensured it was running an orderly house.

These events robbed the Labour Party of the opportunity to maximise the economic, political and social gains it had made. *For example, the economy – in* 1971 still serving British and Nato military requirements – had been transformed into one now totally civilian-based. Battles against bias, religious prejudice and to create a welfare state had been fought and won.

No one was more responsible for these radical reforms than Mr Dom Mintoff who took the Party into power in 1971. In fact most of his political and economic philosophies – ranging from the development of Malta into a neutral non-aligned republic, to the installation of wide-spread social measures – have now been embraced by the Nationalist Party.

It was also his perception of *economic development* which gave rise to an array of infrastructure facilities, including an airline, a shipbuilding yard, new ship repair facilities, a huge transhipment harbour and wheat silos which have increased Malta's worth as an entrepôt.

As all this began to take shape, mistakes were committed – many of which were blamed on Mr Mintoff's autocratic style. The Government's handling of the Opposition became increasingly intimidating; *reforms*, particularly in education, began to misfire.

The impression was gained that government was slowly making itself unaccountable. Few were surprised when, at the 1981 general election, the Labour Party polled 4,000 votes less than the rival Nationalists. Having won more than half the seats in parliament through *controversial* electoral boundary reforms, the party stayed in power with the Nationalists at home and abroad branding the elections as fake.

Rather than change tack, in 1984 Mr Mintoff quit the premiership and handed over power to his hand-picked successor, Mifsud Bonnici. *With barely two* years in which to restore the party's fortunes before facing another general election, Mifsud Bonnici speedily inserted a less brash tone in the political debate.

Relations with countries like Britain and Italy, inherited in a delapidated state, were refurbished. A new economic policy spurred tourist arrivals to an *all-time high* whilst export receipts gradually began to improve. Social housing and full employment became his prime targets. Still the economy improved at a snail's pace and to curb unemployment the floodgates to jobs in the public sector were thrown wide open.

Time was against Mifsud Bonnici whilst the claims of corruption and spurts of violence remained deadweights round the party's neck. In the end, the 2,000 floating voters needed to cut down the *Nationalist Party's* electoral majority could not be convinced to return the Labour Party to power.

Dr Carmelo Mifsud Bonnici's popularity shows no sign of declining after the elections

Offshore base

Consensus on policy should reassure prospective companies of stability

THE HISTORY of Malta's development into a centre for offshore business activities is one of irresolute and erratic efforts.

Despite an abiding interest by offshore operators in Malta, which peaked with the fall of Beirut, few past governments have yet explored fully the prospects of turning the island into a regional offshore base. As a result, opportunities to apply a further gloss to Malta's reputation as an investments base were lost.

Several factors lie behind this. The government of the late nationalist Prime Minister, Dr George Borg Olivier, which negotiated independence from Britain in 1964, was strapped for a modern infrastructure with which to woo industrial and tourist investments. Satisfying that demand took time.

Eventually, shortly before the eventful general election of 1971, which swept the Socialist Party of former premier Mr Dom Mintoff into power, the Nationalists tested the water by launching a tiny, though successful, offshore banking operation by grouping together a number of British and Maltese interests.

The experiment should have touched off – but did not – a flow of offshore registrations on the island. The Socialists - always keen *to promote industrial* growth - almost immediately in 1971 gave the service sector a secondary role.

Even so, Mr Mintoff's offer of fiscal inducements for international shipowners to register in Malta and the promotion of a new offshore bank, *Melita Bank*, now owned by the Banco di San Paolo of Turin, fully confirmed Malta's potential as a possible leading *Mediterranean* offshore centre.

On coming to power last May, the administration of Premier Dr Eddie Fenech Adami immediately displayed a commitment to make up for lost time. Fenech Adami's government knows exactly what it wants, which could turn the island into a formidable rival to other worthy offshore centres in the Mediterranean and Europe.

Malta's sights have been trained on five principal offshore activities: banking, trading, trusts, insurance and shipping. The underlying objective is to step up economic and social gains but also to encourage, indirectly, a further increase in the flow of foreign industrial and tourist investments.

"Malta has everything going for it. It is politically stable, non-aligned, enjoys a wonderful climate and provides all the necessary fittings," says Mr Gian Piero Negri, head of the Banco di San Paolo operation in Malta with assets now exceeding US$100m.

The bank is on the point of expanding and will shortly inaugurate its own trading room, a significant step considering it took over the Melita Bank only last year.

While Malta undoubtedly offers some unique attractions, there are basic conditions that offshore operators, particularly those not well versed with Malta, will want fulfilled. Having gained a reputation for being politically polarised, guarantees of stability are essential.

What will certainly satisfy prospective offshore companies is the consensus between the island's two major political parties on the Government's offshore policies.

Both points clearly are not lost on Dr Joseph Fenech, the energetic Parliamentary Secretary responsible for offshore development. One of his early moves, shortly after being charged by Cabinet with developing Malta into an offshore base, was to secure the backing of the Opposition Socialist Party headed by Dr Carmelo Mifsud Bonnici. This was almost immediately forthcoming.

"Consistency is all important in generating trust," he says. Companies registered here need to be assured we have an across the board deal to take offshore *policies out of the party political* debate."

Better still, the Labour Party may actually provide one of their *leading former Ministers to* advise Dr Fenech.

Equally important is the need for Malta to adopt a professional *international approach*, particularly if it is to gain the confidence of competitive and sensitive world exchange and money markets.

The Government's pledge to give Malta a clean and stable administration, maintain a pro-West European bias in its foreign policy without necessarily severing links with friendly North African and Middle Eastern states, and its promise to bolster the private sector, should elicit positive reactions within the tightly-knit offshore community.

So far, the approach taken has been skilful, as was shown by the vetting that went into the appointment of Chase Manhattan as consultants. Chase, for a nominal fee, will help Dr Fenech for the next three years in the drafting of legislation expected to come up for debate in parliament in September; identify for Malta which offshore businesses are most suitable; and eventually market Malta's facilities.

The Government's plan is first to home in on regional banking and insurance operations. Countries such as Algeria, Tunisia and Libya have been pinpointed as prime targets.

At the same time, attempts will be made *to woo some of the* world's leading banks and insurance firms. Many already view Malta as a Monaco or Hong Kong in the making.

What rates Malta highly is its infrastructure. In addition to a well-educated multi-lingual executive class and a worldwide telecommunications network which is being speedily improved, the island is equipped with fine banking, legal and insurance set ups.

The banks and the courts, in particular, enjoy an impeccable reputation despite the occasional complaint by the political parties, while the standard of education generally in Malta is on a par with that in Western Europe.

Given this framework of enticing facilities, the fiscal inducements to be offered by the Government are likely to be viewed simply as an additional bonus.

"Outfits of the magnitude we have in mind will not come on the strength of better fiscal offers. They must feel it is safe to operate from Malta, Dr Fenech says.

A possible additional attraction is the huge schemes completed by the previous Socialist administration, including wheat silos, oil storage and the Marsaxlokk transhipment port, which are now beginning to function.

Mr Negri says the Banco di San Paolo is keen to finance the storage of wheats and oils in Malta. In a country where no export credit guarantee exists, offshore banks may view Maltese exports as a healthy prospective market to tap.

The challenge Premier Fenech Adami's government faces is to ensure that undesirable companies are kept at bay. Another task is to guarantee that there will be no laundering of black money by Malta-based organisations.

That will take careful and discreet monitoring. At this stage, Malta is putting offshore operators on notice of its intentions to set up the base. It is also making it distinctly clear that brass plate companies and fly-by-night operators are not welcome.

Godfrey Grima

Trade

Cautious move away from protectionism

SHORTLY AFTER the Government took over in May, steps were taken to liberalise import trade. At the same time, Maltese firms producing almost exclusively for the domestic market were told state protection might not last for long.

Industrialists and trade unions, for years used to restrictive trade practices, were quick to react. The Government, however, was determined to keep its electoral pledge to provide consumers with a wider choice of goods, and to encourage factories to shift their output away from the miniscule domestic market and towards exports.

Trade played an important part under the last Government in keeping cost of living and wage rises in check. By setting up a state bulk purchasing system, the Government got appreciable discounts on the importation of some LM22m (£38m) worth of essential commodities, ranging from sugar to cement.

This left a retail profit each year of LM5m which, in turn, offset imported inflation of goods within the scheme. By stabilising commodity prices, the Government was able to freeze wages for four consecutive years.

Second, the Government encouraged the establishment of industries producing for the local market, and banned competing foreign products. By producing more consumables at home, the Government hoped that the growing bill for imports would be contained and, at the same time, more jobs would be created. At the last count, industries servicing local demand were employing more than 7,000 people, though imports have continued to grow.

Further restrictions meant that importers felt they were under attack. Leading car importers, like the Mizzi and Gasan groups, felt the pinch when the Government insisted car imports had to be matched with the export of semi-manufactures.

"Suddenly I had to rely on my limited export experience to bring in cars, but I took this as a challenge and it worked," recalls Mr Joe Gasan, the Ford agent on Malta whose broad-based group includes import, manufacturing and service companies. "Eventually I helped create a sizeable amount of exports to Japan for Maltese firms."

Fenech Adami's concept of free trade is that foreign and locally-manufactured goods should compete freely on the market. He realises, however – because of the huge funds that have been invested, and the danger of touching off a recession – that it is difficult to unshackle trading completely by doing away with import substitution, and dismantling, in one fell swoop, the state bulk buying system.

"We have been told that the new trade policy is still being written and that no restrictions have been lifted yet. Clear benefits enjoyed by domestic-orientated firms cannot disappear overnight," insists Mr Joe Grioli, President of the island's Federation of Industry (FOI). Both the FOI and the government know that the bevy of foreign goods that have suddenly appeared on the market have not all been licensed and that some have come in as contraband.

No doubt controls will have to be rigidly applied to stop the cost of living from rising

The FOI, which backs the Government's plan to take Malta into the EC as a full member, appreciates that protectionism must gradually be phased out. Equally concerned is the General Workers Union, Malta's largest trade union. "We are a responsible union and don't want anyone to get hurt. We have suggested setting up a committee with the Chamber of Commerce, which speaks for importers, and the Federation of Industry to draft a common policy.

"We are also anxious there should be no increase in the price of essential commodities. I think the Government, too, realises the importance of controls," argues the union's secretary Mr Angelo Fenech.

Mindful of the problems ahead, the Government argues that in freeing trade and encouraging firms to stop relying on local demand, it is preparing a new future for Malta. "If we are to build a decent economy we must rid ourselves of restrictive trade practices. Obviously this is a challenge and we shall have to make up for the deficiencies which develop as we go along. We are committed to defending industry but, at the same time, the consumer is very close to our heart," insists Trade Minister Dr Emmanuel Bonnici.

The moves taken by the Government so far, however guarded, have netted positive results. In freeing a limited number of commodities from the state bulk importation system – including coffee, sweetened milk, timber and steel – retail prices dipped. Government-orchestrated cuts in the price of wheat, barley and maze again made staple foods, like bread and dairy products, cheaper on the market.

It is perhaps too early to say whether consumers have felt the impact of LM2m being switched from the exchequer's to the consumer's pockets, but with plans to free 70 per cent of the bulk buying system, consumers stand to benefit by LM4m.

No doubt controls will have to be rigidly applied to stop the cost of living from rising. As the private sector takes on the importation of more commodities, price orders will be issued, says Dr Bonnici.

Malta's economy remains consumer-led. From a total imports bill of LM390m last year, LM87m financed consumer purchases – LM15m more than went into buying capital goods. As imports become more liberal, the trade imbalances which Malta traditionally runs up with its major trading partners, including Britain, West Germany, Italy and France, may worsen. If this happens, Malta will need to drum up increased export and tourist receipts with these countries to help balance the books.

At the moment Britain plays its part by sending Malta more than 60 per cent of tourist arrivals. West Germany, with 41 factories operating on the island, is providing jobs and picks up LM62m worth of semi-manufactures each year. Italy has promised to make available a financial package worth LM50m for the next three years to redress a trade imbalance of LM60m a year.

The EC, Malta's major trading partner, nets a breathtaking annual trade surplus of LM122m in its dealings with Malta. This may eventually strengthen the Government's hand in negotiating the island's entry into the EC as a full member. In the short term, such huge deficits will have either to be reduced, or made up for in direct financial and economic aid.

Countries like the Soviet Union and Libya are already making a contribution by counter-trading their sales to Malta with local assemblies. The Soviet Union will purchase $400m worth of Malta-made goods during the current three years, and Libya will probably purchase as much as Malta buys crude, which last year came up to almost LM25m.

For as long as the dollar remains down, making Maltese purchases cheaper, a wider choice of imported goods to satisfy consumers demand is not likely to cripple the economy. Soon, however, the Government must come up with a definite policy on trade which will settle the minds of workers and industrialists.

Godfrey Grima

The Government has decided that Malta needs a new image, reports **Godfrey Grima**

Aiming for a better press

THROUGHOUT the years he spent leading the opposition, Premier Dr Eddie Fenech Adami consistently levelled two major complaints against the government: democracy on the island was being eroded and, in its quest for overseas aid, the government had tarnished the reputation of the Maltese as a decent and proud people.

Immediately he came into office, Fenech Adami swiftly laid down his foreign and domestic policy markers. Malta would seek closer ties with Western Europe and the US, whilst democracy at home would be fully restored. Relations with Western Europe and the US have been completely refurbished, although some issues remain. At home the government has covered much ground in promoting personal liberties whilst guaranteeing the rule of law.

Not much has been disclosed publicly on how the Government plans to seek from Western Europe the military defence of Malta. Clearly, however, it is upholding Malta's neutral and non-aligned status, enshrined in the constitution shortly before last May's general election.

Relations with the Soviet Union and Libya, constructed by Fenech Adami's predecessors, have not suffered either. Neutrality accords, signed by the Socialist Government with both countries, have been kept in force, although references to military co-operation seem to have been dropped.

Malta's political neutrality is something the new Government wants to define more clearly, particularly with Libya and the US. Washington no doubt expected Fenech Adami swiftly to cool existing relations with Libya, but in spite of the prospect of economic aid, he refused.

In January he paid Libya a brief official visit, not to irk the Americans but merely to emphasise the importance of keeping Malta's lines of communication open with its near neighbour.

Libya, too, initially proved distrustful of a pro western government taking over in Valletta. It was feared Fenech Adami would drive Malta into an alliance with Nato. In time both the Libyans and the Americans have come to trust Fenech Adami's judgment of how best to satisfy Maltese interests without endangering their own.

"I feel we are believed when we say that we mean what we say and we say what we mean. We have no interest in allowing Malta to play a role which is disproportionate to its size," remarks the Prime Minister. His government, he adds, has decided to give Malta a new image.

The amount of overhauling this requires may take Malta some time. Past governments, seeking economic allies, linked the island variously with Libya, the Soviet Union and, for reasons never fully explained, Kim Il Sung's North Korea, from whom there were dynamic expectations of economic support. As one feud led to another, Malta, inevitably got a bad press – with good reason.

Foreign residents

Low property prices and a tax haven for wealthier expatriates

THE GOVERNMENT has launched an attempt to persuade more Britons and other foreigners to buy property in Malta, either for permanent residence or as holiday homes. The combination of relatively cheap prices, compared with the rest of Europe, and a generous tax regime, particularly for high-rate taxpayers, provides an attractive package.

"We are not after their tax but their spending power," says Dr George Bonello du Puis, Malta's Finance Minister.

In the 1960s the number of foreign residents in Malta ran to several thousand, but most left during the days of conflict between Premier Dom Mintoff and the British government. The political climate was too unpredictable.

Now Dr du Puis is aiming for 5,000 foreign residents to bolster the local economy – the spending power of each permanent foreign resident is reckoned to be that of two dozen holidaymakers. By halving the previous 30 per cent rate of income tax for holders of permanent residents' permits, the government has met its pledge to make Malta a tax haven for wealthier expatriates.

Under new regulations announced in January, people wishing to live in Malta have the choice between applying for permanent residency and paying the maximum income tax rate of 15 per cent, or opting for a temporary residency permit without financial pre-conditions.

The "permanent" scheme is aimed at people with incomes of £18,000 or over. Personal allowances, deducted from taxable income, are LM1,030 for a single person and LM1,730 for a married man. After that the tax is the flat 15 per cent.

"Temporary" residents, who have to go through the formality of renewing their permit every three or six months, are taxed only on income brought into Malta on a special graduated scale from 10 per cent to 65 per cent, and they avoid the permanent holder's minimum annual tax liability of LM1,000 (£1,800).

The rules give foreign property buyers the opportunity to choose the most suitable form of residency to suit their circumstances. Both categories are protected by the double taxation agreement between the UK and Malta, which ensures that tax is never paid twice on the same income.

No Maltese tax – amongst the highest in the world – is payable by owners of holiday homes who spend less than six months of the year on the island.

The minimum price of property which can be purchased in Malta by overseas buyers has been raised from LM6,000 to LM8,000 (approximately £14,000).

There are two alternative categories under which a special residents' permit can be sought. First, you have to have an annual income of LM10,000 (£18,000) anywhere in the world. Of this income, not less than LM6,000 plus LM1,000 for each dependant must be brought into Malta each year. There are no capital requirements in this category.

Second, you can qualify for a permit if you have access to capital of at least LM150,000 whilst living in Malta. But all or part of this can be tied up in Maltese property. There are no income requirements in this category.

In order to qualify for a special resident's permit a house must have a minimum value of LM30,000 or a flat LM20,000. This is largely to avoid disrupting the local property market. Alternatively, you can lease or rent a property for an annual rental of at least LM1,200.

Over 90 per cent of Britons now living in Malta do so under the visa renewal system and therefore do not have to satisfy either capital or income requirements.

"You can live permanently in Malta by simply renewing the entry visa automatically granted to all UK citizens on arrival," says Mr Paul Roberts, chairman of Malta Property Consultants of Church Crookham, Aldershot.

"Most British people living in Malta have been regularly renewing their visas in this way for many years. Income and capital requirements only apply if you decide to take out a permanent resident's permit, and there is no obligation for you to do so."

The Maltese government has also modified its inheritance tax rules to ensure that estate duty will only be payable on the value of a deceased resident's assets in Malta and not on assets in total. Death duties were the main problem with the previous residency scheme.

There is no capital gains tax on property sales in Malta. There is a regulation that a property can only be sold to a resident of Malta, but this is waived when efforts to sell to a Maltese citizen are unsuccessful.

According to the Association of Estate Agents (Malta), of PO Box 36, The Strand, Sliema, which is currently preparing a sales brochure for the government, property transfer is straightforward, there is good title to properties, and there is no gazumping.

Prices range from £14,000 for a modern one or two bed seaside apartment or simple terraced house, to £50,000 for a detached country house and over £100,000 for a luxury villa with a pool and some land.

Richard Evans

Richard Evans reports on the controlled growth of tourism

Attempt to move up market

MALTA'S TOURIST industry, of crucial importance to the economy, broke all records last year but the fast growth rate in recent years has brought its own problems. The strategy has now been changed from an all-out attempt to top 1m visitors a year by 1990, to one of consolidation and upgrading of facilities.

Further improvements in the country's infrastructure are proceeding fast and should ensure that the harmful experience of the late 1970s, when a sudden tourist boom took the authorities by surprise, is not repeated.

The previous high point for arrivals and receipts was reached in 1980 when over 728,000 visited Malta and its sister islands of Gozo and Comino. But numbers slipped in 1981, plummetted by 28 per cent in 1982 and continued slipping for a further two years.

The reasons were obvious: prices went up and quality went down, there were shortages of water and electricity cuts were frequent, and the then Prime Minister, Mr Dom Mintoff, appeared to go out of his way to antagonise the countries, particularly the UK, on which Malta relied for tourists. It was a painful period.

Then came the revival, based partly on the improving economies of Western Europe and partly on a policy by Mr Mintoff's successor, Dr Carmelo Mifsud Bonnici, to give tourism top priority. Costs were pegged by a wages and prices freeze and the go-ahead given for a series of major projects to improve the creaking infrastructure.

Power supplies were improved to prevent the frequent interruptions in the peak season, water supplies were increased and an energetic promotional campaign launched, particularly in the UK.

A differential exchange rate was introduced for UK tour operators in 1984 and aircraft fuel costs subsidised so that holidays in Malta could become more competitive.

The strategy worked and arrivals rose by 8 per cent in 1985, the first increase in five years. This was followed by a rise of 11 per cent in 1986 and last year a record total of 746,000 visitors was recorded, a startling increase of 30 per cent. Revenue from tourism rose from ML80m in 1986 to LM113m last year, close to a third of Malta's gross national product.

The success of Mr Joseph Grima, Minister for Tourism in the Labour government until the election defeat last May, is widely acknowledged, but his successor, Dr Michael Refalo, is pursuing a different tack. He is aiming for an increase of only 5 per cent in visitors this year compared with the 15 per cent planned by his predecessor, on the grounds that facilities need to be further upgraded to ensure that Malta continues to give good value.

"We must think in terms of amenities rather than just accommodation," he says. Dr Refalo is looking for an increase in revenue from tourism of around 10 per cent over the next three years.

A classification system for hotels based on the internationally accepted star ratings is being introduced and the development of higher grade hotels encouraged. The Dragonara casino complex, closed to Maltese some years ago, is being sold and modernised, and the Phoenicia, the Trust House Forte flagship hotel, is being refurbished. New developments like the Suncrest, with over 1,000 beds and a range of modern facilities, exemplify the new breed of hotels.

Where the tourists come from

	1986	1987
Austria	5,755	4,646
Belgium	2,998	4,525
France	25,482	27,908
W Germany	59,711	70,228
Italy	36,475	43,551
Libya	23,141	44,425
Netherlands	9,217	16,099
Scandinavia	23,177	22,484
Switzerland	11,546	14,163
UK	329,390	446,886
US	5,199	7,099
Other	42,098	44,129
TOTAL	574,189	745,943

The Suncrest: typical of the new hotels

The intention is to take Malta gradually away from its over concentration on the low cost package tour and to encourage higher spenders. There are ambitious plans to improve Valletta, the heavily fortified capital with its superb range of palaces built by the Knights of St John, as part of a wider campaign to restore archaeological sites and historic cities like Mdina, the old capital. Philips, the electronics multinational, is conducting a feasibility study on floodlighting and a *son et lumière* display.

Restrictions on yachting imposed by the former administration have been removed and there are plans to build more marinas and artificial beaches – Malta specialises in rocks rather than sand.

A controversial move, heavily criticised by Mr Grima, is to impose a surcharge of LM2 on all departing air travellers from May 1. The purpose is to put the revenue towards better tourist facilities. Two problems in the pattern of tourism still need to be addressed. One is the common problem of a sharp peak from July to September when the volume of tourists puts a heavy strain on services, and the other is the continuing over-dependence on the UK for tourists.

One proposal is to seek to make Malta an off-season resort for West Germans and other north Europeans, leaving the British dominant in the summer.

The latest statistics show this is beginning to work, with the majority of West Germans now visiting outside the peak months. More British are also going off-peak and there is a growing conference trade as hotels improve their facilities.

Charter air traffic by AirMalta, the country's successful flag carrier, has grown by 57 per cent this winter, and by 76 per cent for all carriers operating to Malta.

Hotel occupancy rates show a low of 30 per cent in January and February, rising to 54 per cent in April, 60 per cent in May and 87 per cent in October. The peak months of August and September show a bizarre occupancy rate of 133 per cent and 113 per cent, explained by the large numbers of small hotels and self-catering apartments that fail to register.

The problem of British dominance is more difficult to solve, given that at present 60 per cent of tourists come from the UK and the proportion is tending to increase rather than decline.

Last year 446,000 Britons visited Malta, an increase of 40 per cent on 1986, and the projections so far this year are excellent. There were also substantial increases in visitors from West Germany, up from 60,000 to 70,000; Italy up from 36,000 to 43,500; and the Netherlands, from 9,000 to 16,000.

The number of visitors from Libya almost doubled from 23,000 to 44,400, but this was largely because of the popularity of visiting Malta to buy consumer goods and car spare parts not easily available at home.

Profile: the Prime Minister

Message of conciliation

Dr Eddie Fenech Adami: friendly but reserved

"I THINK I have done rather better with the Opposition so far than I have with my own party," says Dr Eddie Fenech Adami, Malta's Prime Minister, slightly ruefully after nine months in office.

His difficulty in gaining power after 10 tempestuous years in opposition as Nationalist Party leader is the need to educate the Maltese people away from the polarised, sometimes violent politics they have come to accept as the norm.

His message is of unity and conciliation, but it is not an easy one to preach to supporters who have longed for the perks that power in Malta can bring. He urges his impatient followers to avoid any bloody settling of old scores and so far he has succeeded remarkably well.

Dr Fenech Adami, a 54-year-old lawyer with a friendly but reserved manner, joined the Nationalist Party two years after leaving Malta University. Seven years later, in 1969, he gained a seat in Parliament in a by-election in his local district of Birkirkara. He took over as Nationalist Party leader in 1977, still relatively unknown, from former Premier Dr George Borg Olivier, with the task of reviving the limp fortunes of a demoralised party that had been trounced at the polls twice in five years by Labour's Dom Mintoff.

He set out to reorganise the party systematically by hiring professionals as advisers and by dismissing politicians not prepared to accept party discipline. It was an iron fist in a velvet glove.

He took advantage of the ill will created by Labour in its battles with the church, the teaching profession and doctors, and he successfully sought support among many workers traditionally loyal to Labour.

It was a long and often bitter struggle, and he nearly succeeded at his first attempt to unseat Mr Mintoff in 1981. His party gained 51 per cent of the popular vote, but was kept out of office by controversial boundary reforms which gave Labour a three-seat majority.

Dr Fenech Adami, although sorely tried, kept his cool, and developed his party into an effective political machine. His opposition leadership was marked by relentless harrying of the Labour Government for its alleged excessive use of power, and for its divisiveness. The tactics worked. In last May's elections he emerged as the most popular politician, amassing more personal votes than Mr Mintoff and Dr Mifsud Bonnici combined.

Now he is putting his promise of conciliatory, unifying politics into action. The softly-softly approach has puzzled the Labour opposition, which was expecting retribution, and it has frustrated some of his own supporters.

But Dr Fenech Adami remains adamant. In an interview in his room in the splendid parliament building in Valletta, formerly the Armoury of the Knights of Malta, the Prime Minister said: "We have managed to steer a course that has not provoked confrontation. We are after consensus, we are not for changing things overnight... Malta is no longer playing maverick politics and prospects for investment are now good.

"We are back to a situation where the rule of law is supreme and that has set at rest almost everybody's mind. There is no longer the tension of a year ago."

Dr Fenech Adami maintained that only a concerted national effort backed by the Labour opposition and trade unions would enable Malta to attract the foreign investment it needs so badly.

Richard Evans

Key Facts

Capital	Valletta
Official languages	Maltese and English
Area	316sq km
Population	344,000*
Currency	Maltese Lira (ML) = 100 cents
Exchange rate	ML = £0.576 (March 1 1988)
Labour supply	122,000*
Unemployed	5,400*
GDP	ML492m*
Imports	ML391m*
Exports	ML207m*
Inflation	1 per cent*

*1987